



## **MEMORANDUM**

**TO:** Members of the Authority

**FROM:** Melissa Orsen  
Chief Executive Officer

**DATE:** September 10, 2015

**SUBJECT:** Agenda for Annual Board Meeting of the Authority September 10, 2015

### **Notice of Public Meeting**

### **Roll Call**

### **Approval of Previous Month's Minutes**

### **Chief Executive Officer's Monthly Report to the Board**

### **Authority Matters**

### **Incentive Programs**

### **Bond Projects**

### **Loans/Grants/Guarantees**

### **Board Memorandums**

### **Real Estate**

### **Public Comment**

### **Adjournment**

**NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY**

**August 11, 2015**

**Commercialization Center for Innovative Technologies, North Brunswick, NJ**

**MINUTES OF THE MEETING**

Members of the Authority present: Al Koepp, Chairman; Commissioner Richard J. Badolato of the Department of Banking and Insurance; Jennifer Duffy representing the State Treasurer; Jeffrey Stoller representing the Department of Labor and Workforce Development; Colleen Kokas representing the Commissioner of the Department of Environmental Protection Public Members: Larry Downes, Charles Sarlo, Fred B. Dumont, Philip B. Alagia, Massiel Medina Ferrara, David Huber, William J. Albanese, Sr., Second Alternate Public Member; and Harold Imperatore, Third Alternate Public Member.

Absent: Public Members Joseph McNamara, Vice Chairman; Patrick Delle Cava, First Alternate Public Member; and Rodney Sadler, Non-Voting Member.

Also present: Melissa Orsen, Chief Executive Officer of the Authority; Timothy Lizura, President and Chief Operating Officer; Deputy Attorney General Gabriel Chacon; Michael Collins, Governor's Authorities' Unit; and staff.

Chairman Koepp called the meeting to order at 10 a.m.

Pursuant to the Internal Revenue Code of 1986, Ms. Orsen announced that this was a public hearing and comments are invited on any Private Activity bond projects presented today.

In accordance with the Open Public Meetings Act, Ms. Orsen announced that notice of this meeting has been sent to the *Star Ledger* and the *Trenton Times* at least 48 hours prior to the meeting, and that a meeting notice has been duly posted on the Secretary of State's bulletin board at the State House.

**MINUTES OF AUTHORITY MEETING**

The next item of business was the approval of the July 9, 2015 meeting minutes. A motion was made to approve the minutes by Ms. Kokas, seconded by Mr. Downes, and was approved by the 12 voting members present.

**FOR INFORMATION ONLY:** The next item was the presentation of the Chief Executive Officer's Monthly Report to the Board.

**CHIEF EXECUTIVE OFFICER'S MONTHLY REPORT TO THE BOARD**

**INCENTIVE PROGRAMS**

**ITEM:** Proposed Rule Amendments

**REQUEST:** To approve the proposed amendments to the rules implementing the Economic Redevelopment and Growth (ERG) Program based on statutory provisions pertaining to mixed use parking projects; and amendments to the rules implementing the Grow New Jersey Assistance (Grow NJ) Program to administer applications and awards for qualified incubator facilities in the Grow New Jersey Assistance Act.

**MOTION TO APPROVE:** Mr. Albanese   **SECOND:** Commissioner Badolato   **AYES:** 12

**RESOLUTION ATTACHED AND MARKED EXHIBIT: 1**

**ITEM:** Grow New Jersey Program

Revision to Methodology for Due Diligence on Incubator Projects in Excess of \$4,000,000/year

**REQUEST:** To approve a revision to existing policy to determine the amount necessary to complete a qualified incubator facility that applies for tax credits in excess of \$4,000,000/year.

**MOTION TO APPROVE:** Mr. Downes   **SECOND:** Mr. Albanese   **AYES:** 12

**RESOLUTION ATTACHED AND MARKED EXHIBIT: 2**

**UEZ Energy Sales Tax Exemption**

**ITEM:** DPT Lakewood, LLC

\$123,000 UEZ Energy Sales Tax Exemption

**REQUEST:** Consent the approval of DPT's application to participate in the U-STX program.

**MOTION TO APPROVE:** Mr. Downes   **SECOND:** Ms. Duffy   **AYES:** 12

**RESOLUTION ATTACHED AND MARKED EXHIBIT: 3**

**Residential Economic Redevelopment and Growth Grant Program**

**ITEM:** Ameream LLC, Meadow Amusement LLC and Affiliates   APPL.#37976

**REQUEST:** To re-approve the revised application of Ameream LLC, Meadow Amusement, LLC and Affiliates for reimbursement of certain taxes for an East Rutherford Borough, Bergen County project under a "state incentive grant" by the EDA pursuant to the Economic Redevelopment and Growth Grant program set forth in N.J.S.A. 52:27D-489c.

**MOTION TO APPROVE:** Mr. Downes   **SECOND:** Ms. Duffy   **AYES:** 10

**RESOLUTION ATTACHED AND MARKED EXHIBIT: 4**

*Mr. Imperatore recused himself because family members are involved with the project.*

*Mr. Sarlo recused himself because his firm is working on the project.*

**ITEM:** Riverside Arms Urban Renewal, LLP and Building Believers Trust Corporation  
APPL.#39074

**REQUEST:** To approve the application of Riverside Arms Urban Renewal, LLP and Building Believers Trust Corporation for a project located in Newark, Essex County for the issuance of tax credits. The recommendation is to award 30% of total eligible costs, not to exceed \$8,604,169, in tax credits based on the budget submitted.

**MOTION TO APPROVE:** Ms. Kokas      **SECOND:** Ms. Ferrara      **AYES:** 12

**RESOLUTION ATTACHED AND MARKED EXHIBIT: 5**

**ITEM:** Roseville Avenue Redevelopment Urban Renewal LLC & Greater Bergen Community Action Agency  
APPL.#41116

**REQUEST:** To approve the application of Roseville Avenue Redevelopment Urban Renewal LLC & Greater Bergen Community Action Agency for a project located in Jersey City, Hudson County for the issuance of tax credits. The recommendation is to award 30% of total eligible costs, not to exceed \$10,065,184, in tax credits based on the budget submitted.

**MOTION TO APPROVE:** Mr. Imperatore      **SECOND:** Mr. Downes      **AYES:** 11

**RESOLUTION ATTACHED AND MARKED EXHIBIT: 6**

*Mr. Sarlo recused himself because the Greater Bergen Community Action Agency is a client.*

**Grow New Jersey Assistance Program**

**ITEM:** Capintec, Inc.      APPL.#41249

**REQUEST:** To approve the application of Capintec, Inc. for tax credits under the Grow New Jersey Assistance Program to encourage the applicant to make a capital investment and locate in South Plainfield, NJ. Project location of South Plainfield Borough, in Middlesex County qualifies as a Priority Area under N.J.S.A. 34:1B-242 et seq and the program's rules, N.J.A.C. 19:31-18. The project is eligible, pursuant to the statute, for bonus increases to the tax credit award for Capital Investment in Excess of Minimum (non-Mega) and Targeted Industry (Manufacturing). The estimated annual award is \$243,000 for a 10-year term.

**MOTION TO APPROVE:** Mr. Huber      **SECOND:** Mr. Downes      **AYES:** 12

**RESOLUTION ATTACHED AND MARKED EXHIBIT: 7**

**ITEM:** Chef'd, LLC      APPL.#41126

**REQUEST:** To approve the finding of material factor in the decision to make capital investment and locate in Camden.

**MOTION TO APPROVE:** Mr. Albanese      **SECOND:** Ms. Duffy      **AYES:** 12

**RESOLUTION ATTACHED AND MARKED EXHIBIT: 8**



**ITEM:** Chef'd, LLC

APPL.#41126

**REQUEST:** To approve the application of Chef'd, LLC for tax credits under the Grow New Jersey Assistance Program to encourage the applicant to make a capital investment and locate in Camden City, NJ. Project location of Camden City, Camden County qualifies as a Garden State Growth Zone under N.J.S.A. 34:1B-242 et seq and the program's rules, N.J.A.C. 19:31-18. The project is eligible, pursuant to the statute, for bonus increases to the tax credit award for Deep Poverty Pocket, Transit Oriented Development and location in a municipality in Camden County with 2007 Revitalization Index greater than 465. The estimated annual award is \$1,900,000 for a 10-year term.

**MOTION TO APPROVE:** Ms. Kokas      **SECOND:** Mr. Downes      **AYES:** 12

**RESOLUTION ATTACHED AND MARKED EXHIBIT: 9**

**ITEM:** Great Socks, LLC

APPL.#41133

**REQUEST:** To approve the finding of material factor in the decision to make capital investment and locate in Camden.

**MOTION TO APPROVE:** Mr. Downes      **SECOND:** Mr. Imperatore      **AYES:** 12

**RESOLUTION ATTACHED AND MARKED EXHIBIT: 10**

**ITEM:** Great Socks, LLC

APPL.#41133

**REQUEST:** To approve the application of Great Socks, LLC for tax credits under the Grow New Jersey Assistance Program to encourage the applicant to make a capital investment and locate in Camden City, NJ. Project location of Camden City, Camden County qualifies as a Garden State Growth Zone under N.J.S.A. 34:1B-242 et seq and the program's rules, N.J.A.C. 19:31-18. The project is eligible, pursuant to the statute, for bonus increases to the tax credit award for Deep Poverty Pocket, Transit Oriented Development, Targeted Industry (Manufacturing), GSGZ Project with Capital Investment in Excess of Minimum, and location in a municipality in Camden County with 2007 Revitalization Index greater than 465. The estimated annual award is \$1,500,000 for a 10-year term.

**MOTION TO APPROVE:** Mr. Huber      **SECOND:** Mr. Downes      **AYES:** 12

**RESOLUTION ATTACHED AND MARKED EXHIBIT: 11**

*Mr. Alagia entered the meeting at this time.*

**ITEM:** Macrocare, Inc.

APPL.#41283

**REQUEST:** To approve the application of Macrocare, Inc. for tax credits under the Grow New Jersey Assistance Program to encourage the applicant to make a capital investment and locate in North Brunswick Township, NJ. Project location of North Brunswick Township, Middlesex County qualifies as a Priority Area under N.J.S.A. 34:1B-242 et seq and the program's rules, N.J.A.C. 19:31-18. The project is eligible, pursuant to the statute, for bonus increases to the tax credit award for Capital Investment in Excess of Minimum (non-Mega), Jobs with Salary in Excess of County Average and Targeted Industry (Life Sciences). The estimated annual award is \$ 324,000 for a 10-year term.

**MOTION TO APPROVE:** Mr. Huber      **SECOND:** Mr. Imperatore      **AYES:** 13

**RESOLUTION ATTACHED AND MARKED EXHIBIT: 12**

**ITEM:** Natoli Management, LLC d/b/a Solid State Incorporated APPL.#41229  
**REQUEST:** To approve the finding of jobs at risk.  
**MOTION TO APPROVE:** Mr. Huber **SECOND:** Mr. Downes **AYES:** 13  
**RESOLUTION ATTACHED AND MARKED EXHIBIT: 13**

**ITEM:** Natoli Management, LLC d/b/a Solid State Incorporated APPL.#41229  
**REQUEST:** To approve the application of Natoli Management, LLC for tax credits under the Grow New Jersey Assistance Program to encourage the applicant to make a capital investment and locate in Bloomfield Township, NJ. Project location of Bloomfield Township, Essex County qualifies as a Distressed Municipality under N.J.S.A. 34:1B-242 et seq and the program's rules, N.J.A.C. 19:31-18. The project is eligible, pursuant to the statute, for a bonus increase to the tax credit award for Transit Oriented Development. The estimated annual award is \$411,735 for a 10-year term.  
**MOTION TO APPROVE:** Ms. Kokas **SECOND:** Mr. Huber **AYES:** 13  
**RESOLUTION ATTACHED AND MARKED EXHIBIT: 14**

**ITEM:** Polaris Solutions, LLC APPL.#41247  
**REQUEST:** To approve the application of Polaris Solutions, LLC for tax credits under the Grow New Jersey Assistance Program to encourage the applicant to make a capital investment and locate in New Brunswick City, NJ. Project location of New Brunswick City, Middlesex County qualifies as a Urban Transit HUB Municipality under N.J.S.A. 34:1B-242 et seq and the program's rules, N.J.A.C. 19:31-18. The project is eligible, pursuant to the statute, for bonus increases to the tax credit award for Deep Poverty Pocket, Transit Oriented Development, Jobs with Salary in Excess of County Average, and Targeted Industry (Technology). The estimated annual award is \$323,750 for a 6-year term.  
**MOTION TO APPROVE:** Mr. Alagia **SECOND:** Mr. Downes **AYES:** 13  
**RESOLUTION ATTACHED AND MARKED EXHIBIT: 15**

**ITEM:** Ready Pac Foods, Inc. APPL.#41045  
**REQUEST:** To approve the finding of jobs at risk.  
**MOTION TO APPROVE:** Mr. Dumont **SECOND:** Mr. Imperatore **AYES:** 13  
**RESOLUTION ATTACHED AND MARKED EXHIBIT: 16**

**ITEM:** Ready Pac Foods, Inc. APPL.#41045  
**REQUEST:** To approve the application of Ready Pac Foods, Inc. for tax credits under the Grow New Jersey Assistance Program to encourage the applicant to make a capital investment and locate in Florence Township, NJ. Project location of Florence Township, Burlington County qualifies as a Mega Project under N.J.S.A. 34:1B-242 et seq and the program's rules, N.J.A.C. 19:31-18. The project is eligible, pursuant to the statute, for bonus increases to the tax credit award for Large Number of New/Retained Full-Time Jobs and Mega Industrial Project with Capital Investment in Excess of Minimum. The estimated annual award is \$2,740,703 for a 10-year term.  
**MOTION TO APPROVE:** Mr. Downes **SECOND:** Mr. Huber **AYES:** 13  
**RESOLUTION ATTACHED AND MARKED EXHIBIT: 17**

## BOND PROJECTS

### Preliminary Resolutions

**ITEM:** Uncommon Properties, LLC APPL.#40716  
**LOCATION:** Camden City/Camden  
**PROCEEDS FOR:** Purchase of new building or addition/purchase of equipment & machinery  
**FINANCING:** \$50,776,000  
**MOTION TO APPROVE:** Ms. Kokas **SECOND:** Mr. Huber **AYES:** 13  
**RESOLUTION ATTACHED AND MARKED EXHIBIT: 18**

### LOANS/GRANTS/GUARANTEES

**FOR INFORMATION ONLY:** PUST and HDSRF Program Funding Status

#### Petroleum Underground Storage Tank Program

**ITEM:** Summary of Petroleum UST Remediation, Upgrade & Closure Fund Program projects approved by the Department of Environmental Protection.  
**MOTION TO APPROVE:** Ms. Kokas **SECOND:** Mr. Imperatore **AYES:** 13  
**RESOLUTION ATTACHED AND MARKED EXHIBIT: 19**

**PROJECT:** Jessica Diaz APPL.#41086  
**LOCATION:** Hasbrouck Heights Borough/Bergen  
**PROCEEDS FOR:** Remediation  
**FINANCING:** \$24,000 Petroleum UST Remediation, Upgrade and Closure Fund Grant

**PROJECT:** Karen Schraeger APPL.#40557  
**LOCATION:** Wall Township/Monmouth  
**PROCEEDS FOR:** Remediation  
**FINANCING:** \$250,680 Petroleum UST Remediation, Upgrade and Closure Fund Grant

**PROJECT:** Grant Telleri APPL.#39809  
**LOCATION:** Readington Township/Hunterdon  
**PROCEEDS FOR:** Upgrade, Closure, Remediation  
**FINANCING:** \$257,891 Petroleum UST Remediation, Upgrade and Closure Fund Grant

#### Hazardous Discharge Site Remediation Fund Program

**ITEM:** Summary of NJDEP Hazardous Discharge Site Remediation Fund Program projects approved by the Department of Environmental Protection.  
**MOTION TO APPROVE:** Ms. Kokas **SECOND:** Mr. Imperatore **AYES:** 13  
**RESOLUTION ATTACHED AND MARKED EXHIBIT: 20**

**PROJECT:** City of Atlantic City (James L. Usry Center) APPL.#40803  
**LOCATION:** Atlantic City/Atlantic  
**PROCEEDS FOR:** Remedial Action  
**FINANCING:** \$118,290 (75% Matching Grant)

**PROJECT:** Borough of Somerville (BDA Somerville Landfill)  
**LOCATION:** Somerville Borough/Somerset  
**PROCEEDS FOR:** Remedial Action  
**FINANCING:** \$2,793,984 (75% Matching Grant)

APPL.#40958

**EDISON INNOVATION FUND**

**ITEM:** Technology Business Tax Certificate Transfer Program  
2015 Program Approvals & Disapprovals  
**REQUEST:** To recommend approval for applicants which have been evaluated according to the criteria established by the Members of the Board and met the criteria for approval. Disapproval is recommended for the listed applicant that failed to meet all of the eligibility criteria for approval.  
**MOTION TO APPROVE:** Mr. Huber      **SECOND:** Mr. Imperatore      **AYES:** 13  
**RESOLUTION ATTACHED AND MARKED EXHIBIT:** 21

**OFFICE OF RECOVERY**

**Stronger New Jersey Business Loan Program**

**ITEM:** Key Harbor Marina LLC, et al      APPL.#39636/APPL.#41246  
**LOCATION:** Ocean Township/Ocean  
**PROCEEDS FOR:** Working Capital  
**FINANCING:** \$1,018,514 Stronger NJ Business Loan  
\$50,000 (Forgivable) Stronger NJ Business Loan  
**MOTION TO APPROVE:** Mr. Albanese      **SECOND:** Mr. Huber      **AYES:** 13  
**RESOLUTION ATTACHED AND MARKED EXHIBIT:** 22

**Stronger New Jersey Business Loan Program - Appeals**

**ITEM:** Stronger NJ Business Loan Program Appeal – Barnacle Bill’s  
**REQUEST:** To approve the Hearing Officer’s recommendation to uphold the declination of the Stronger NJ Business Loan for Barnacle Bill’s.  
**MOTION TO APPROVE:** Mr. Huber      **SECOND:** Mr. Downes      **AYES:** 13  
**RESOLUTION ATTACHED AND MARKED EXHIBIT:** 23

**BOARD MEMORANDUMS**

**ITEM:** Extension of Memorandum of Understanding  
Capital City Redevelopment Corporation  
**REQUEST:** To approve the extension of a Memorandum of Understanding between the New Jersey Economic Development Authority and Capital City Redevelopment Corporation as an inter-department governmental agreement confirming the mutual understanding and intention between the agencies with respect to the provision of the Authority’s support services to CCRC. The original MOU was approved at the July 9, 2014 EDA Board Meeting.  
**MOTION TO APPROVE:** Mr. Dumont      **SECOND:** Mr. Huber      **AYES:** 13  
**RESOLUTION ATTACHED AND MARKED EXHIBIT:** 24

**FOR INFORMATION ONLY:** Projects approved under Delegated Authority

**Premier Lender Program:** ALTYLA, LLC (P41089); Wiseway, LLC (P41102)

**Stronger NJ Business Loan Program:** Jamie Lee Hentschel DBA Nova Boutique (P40961)

**REAL ESTATE**

**ITEM:** Parking Management Agreement between New Jersey Aquarium, LLC and NJEDA  
**REQUEST:** Approval to execute a new Parking Management Agreement between the New Jersey Aquarium, LLC and the New Jersey Economic Development Authority with regard to the Camden Waterfront Project for a one year term. Approval is also requested to delegate to the President/COO of the authority to enter into similar Parking Management Agreements for 2016, 2017, and 2018, at the Authority's discretion.

**MOTION TO APPROVE:** Ms. Kokas      **SECOND:** Ms Duffy      **AYES:** 13

**RESOLUTION ATTACHED AND MARKED EXHIBIT: 25**

**ITEM:** FMERA Purchase and Sale & Redevelopment Agreement with FM Partner, LLC for the Fitness Center Parcel

**REQUEST:** To consent to the Fort Monmouth Economic Revitalization Authority entering into the redevelopment agreement that is contained within FMERA's Purchase and Sale & Redevelopment Agreement with FM Partner's LLC for the Fitness Center Parcel in the Oceanport section of the former Fort Monmouth.

**MOTION TO APPROVE:** Mr. Downes      **SECOND:** Mr. Imperatore      **AYES:** 13

**RESOLUTION ATTACHED AND MARKED EXHIBIT: 26**

**ITEM:** FMERA Purchase and Sale & Redevelopment Agreement with Pinebrook Commerce Center, LLC for the Pinebrook Road Commerce Center (former Fabrication Shops)

**REQUEST:** To consent to the Fort Monmouth Economic Revitalization Authority entering into the redevelopment agreement that is contained within FMERA's Purchase and Sale & Redevelopment Agreement with Pinebrook Commerce Center, LLC for the Pinebrook Road Commerce Center in the Tinton Falls section of the former Fort Monmouth.

**MOTION TO APPROVE:** Mr. Dumont      **SECOND:** Mr. Downes      **AYES:** 13

**RESOLUTION ATTACHED AND MARKED EXHIBIT: 27**

**ITEM:** FMERA Purchase and Sale & Redevelopment Agreement with RPM Development, LLC for the Officer Housing Parcel

**REQUEST:** To consent to the Fort Monmouth Economic Revitalization Authority entering into the redevelopment agreement that is contained within FMERA's Purchase and Sale & Redevelopment Agreement with RPM Development, LLC for the Officer Housing Parcel in the Oceanport sections of the former Fort Monmouth.

**MOTION TO APPROVE:** Ms. Kokas      **SECOND:** Mr. Huber      **AYES:** 13

**RESOLUTION ATTACHED AND MARKED EXHIBIT: 28**

**ITEM:** Rutgers, The State University, Memorandum of Understanding  
**REQUEST:** To approve an extension of time for Rutgers, the State University (RU) to provide the Authority with requests for reimbursement under the Memorandum of Understanding with RU in conjunction with the implementation of the NJ Unmanned Aircraft Systems Consortium until December 31, 2015, with two additional six month extensions.

**MOTION TO APPROVE:** Mr. Huber      **SECOND:** Mr. Albanese      **AYES:** 13

**RESOLUTION ATTACHED AND MARKED EXHIBIT: 29**

### INCENTIVE PROGRAMS

#### Grow New Jersey Assistance Program

**ITEM:** South Jersey Gas Company      APPL.#41033

**REQUEST:** To approve the finding of material factor in the decision to make capital investment and locate in Atlantic City.

**MOTION TO APPROVE:** Mr. Dumont      **SECOND:** Mr. Stoller      **AYES:** 11

**RESOLUTION ATTACHED AND MARKED EXHIBIT: 30**

*Chairman Koeppe recused himself from the project, as a Board Member of New Jersey Resources, because they have an active relationship with the applicant.*

*Mr. Downes recused himself from the project, as Chairman and CEO of New Jersey Resources, because they have an active relationship with the applicant.*

**ITEM:** South Jersey Gas Company      APPL.#41033

**REQUEST:** To approve the application of South Jersey Gas Company for tax credits under the Grow New Jersey Assistance Program to encourage the applicant to make a capital investment and locate in Atlantic City, NJ. Project location of Atlantic City, Atlantic County qualifies as a Garden State Growth Zone under N.J.S.A. 34:1B-242 et seq and the program's rules, N.J.A.C. 19:31-18. The project is eligible, pursuant to the statute, for bonus increases to the tax credit award for Deep Poverty Pocket, Jobs with Salary in Excess of County/GSGZ Average, Targeted Industry (Energy), and location in a municipality in Atlantic County with 2007 Revitalization Index greater than 465. The estimated annual award is \$1,265,526 for a 10-year term.

**MOTION TO APPROVE:** Mr. Dumont      **SECOND:** Ms. Duffy      **AYES:** 11

**RESOLUTION ATTACHED AND MARKED EXHIBIT: 31**

*Chairman Koeppe recused himself from the project, as a Board Member of New Jersey Resources, because they have an active relationship with the applicant.*

*Mr. Downes recused himself from the project, as Chairman and CEO of New Jersey Resources, because they have an active relationship with the applicant.*

## PUBLIC COMMENT

Ms. Novella Hinson, Chief of Staff, City of Camden, thanked the board for its assistance on behalf of Mayor Redd and the City. She remarked that today's approval places the City amongst nine finalists for a grant from the US Department of Housing and Urban Development.

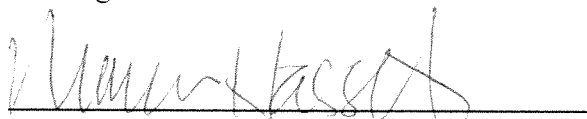
Mr. Marc Riondino, attorney for the City of Camden reiterated Ms. Hinson's sentiments, adding that on behalf of seventy seven thousand residents, the City was very appreciative.

Chairman Koeppe stated that it was a great pleasure for the Board to work with the City.

Chairman Koeppe announced that the Strategic Planning Session scheduled for today was postponed until the fall due to conflicts.

There being no further business, on a motion by Ms. Kokas, and seconded by Ms. Ferrara, the meeting was adjourned at 11:35 am.

Certification: The foregoing and attachments represent a true and complete summary of the actions taken by the New Jersey Economic Development Authority at its meeting.



Maureen Hassett, SVP, Finance & Development  
Assistant Secretary



NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

## MEMORANDUM

**TO:** Members of the Authority

**FROM:** Melissa J. Orsen  
Chief Executive Officer

**DATE:** September 10, 2015

**RE:** Monthly Report to the Board

### **ECONOMIC OPPORTUNITY ACT: TWO YEAR STATUS UPDATE**

Since the enactment of the Economic Opportunity Act (EOA) two years ago, considerable progress has been made toward driving investment and job growth all over the Garden State. Under the Grow New Jersey (Grow NJ) program, 128 projects have been approved for up to \$2.6 billion in tax credits, associated with \$2.1 billion in capital investment and the expected creation of more than 17,500 new jobs, 16,200 retained jobs, and 7,300 construction jobs. Under the Economic Redevelopment and Growth (ERG) program, 29 projects have been approved for up to \$573.2 million, associated with \$2.6 billion in capital investment.

Targeted growth, both by industry and location, is among the key objectives of the Grow NJ program. To date, 66 percent of approved projects received a bonus for being in one of the defined targeted industries, which include manufacturing, finance, energy, technology and life sciences. More than 64 percent of approved tax credits support projects in a targeted community, including Distressed Municipalities, Urban Transit Hubs, or Garden State Growth Zones (GSGZ). Sixty-eight percent of projects approved in GSGZs are located in Camden, a city suffering from decades of disinvestment.

Considering the performance-based nature of the programs, it's important to note that to date, just \$603,500 has been issued in tax credits under the EOA Grow NJ program, and no credits have been certified under EOA ERG. More projects are expected to report in the coming months that they have met their commitments for capital investment and job creation.

These numbers are a testament to the effectiveness of the EOA and the ongoing commitment of this Board and the EDA's staff to a thriving State economy.



## **EDA SUPPORT FOR HIGHER EDUCATION HIGHLIGHTED IN AUGUST**

Higher education projects were highlighted in August, as EDA staff attended celebrations marking milestones for EDA-supported projects associated with two major New Jersey universities. Early in August, 220 Rowan Boulevard held its grand opening in Glassboro. The mixed-use development, which is supported by a residential-ERG, consists of student housing for Rowan University undergraduates, market-rate apartments, and retail and medical offices.

Later in August, a ribbon cutting was held at Campus Town at The College of New Jersey in Ewing. Supported by the EDA through the Higher Education Institution Public-Private Partnerships Program (P3) and ERG tax credits, the mixed-used project, developed by The PRC Group, includes housing, a Barnes and Noble, a fitness and wellness facility for students, as well as retail stores, health facilities, and restaurants.

## **FMERA BOARD ACTION ENCOURAGES ATTRACTION OF ARTS AND CULTURAL PROJECTS**

The FMERA Board authorized a Request for Offers to Purchase (RFOTP) for the Barracks (Building 1102 through 1107) and the adjacent Soliders Park in Eatontown at its August meeting. Expanding the types of redevelopment sought at Fort Monmouth, the RFOTP will seek to attract developers to create a cultural center that promotes the arts, music and entertainment, or a museum.

FMERA anticipates including Soldiers Park land as deed-restricted open space, allowing for the property to be used on occasion as outdoor art exhibition or performance space. While the Fort Monmouth Reuse and Redevelopment Plan (Reuse Plan) calls for the Barracks buildings to be demolished, the RFOTP will solicit proposals that would include up to 12 units of artist live/work space, or for non-residential, arts-based use. The World War II-era barracks total approximately 24,780 square feet on a 2.1 acre parcel of land. Soldiers Park totals approximately 2.7 additional acres of land on the Fort.

In other happenings at the Fort, FMERA's professional planning consultant Phillips Preiss Grygiel, LLC (PPG) was recently recognized by the New Jersey Planning Officers Award (NJPO) for its work crafting the Historic District Design Guidelines for Fort Monmouth's Historic District. PPG worked with FMERA staff to develop guidelines that will be used to ensure that all properties within the Historic District, located on the Fort's Main Post, are brought back to life in a manner consistent with standards for historic properties. In addition to the property on the Main Post, the guidelines provide recommendations and information for Gibbs Hall, the historic clubhouse on the Golf Course in Eatontown.

## **CLOSED PROJECTS**

Through August 2015, EDA provided more than \$906 million in assistance to 189 projects, supporting more than 7,500 existing jobs, the creation of more than 6,000 new jobs, more than 3,000 construction jobs and leveraging more than \$1.1 billion in public/private assistance.

**EVENTS/SPEAKING ENGAGEMENTS/PROACTIVE OUTREACH**

EDA representatives participated as speakers, attendees or exhibitors at 13 events in August. These included the Newark Regional Business Partnership Business Information Workshop and the Middlesex-Somerset CRE Summit in Woodbridge.



Melinda J. Rose

---

## **AUTHORITY MATTERS**



## MEMORANDUM

To: Members of the Authority

From: Al Koepp  
Chairman

Date: September 10, 2015

Subject: Annual Meeting

The New Jersey Economic Development Authority's By-Laws provide that an annual reorganization meeting be held in September of each year. The Members are asked to consider the following recommendations associated with the annual reorganization meeting:

### Officers

As has been done in years past, it is recommended that the position of Board Treasurer be held by State Treasurer Robert Romano (Acting State Treasurer). The position of Vice Chairman is currently held by Joe McNamara, who is interested in continuing to serve in this role, subject to confirmation by the Members.

The appointment of Assistant Secretaries to the Board to support the Secretary in her absence is also required. I am recommending that Tim Lizura, Lori Matheus, John Rosenfeld, Rich LoCascio, and Erin Gold serve as Assistant Secretaries. As per the By-Laws, Melissa Orsen, in her role of CEO, will serve as Board Secretary.

### Committees

The Authority has six committees that meet throughout the year. I am requesting that the named Members or their Ex Officio designees participate in the following committees and recommend the appointment of individual Members to Chair each committee as so indicated:

**Director's Loan Review Committee** - Chair: David Huber, Fred Dumont, Patrick Delle Cava, William Albanese, the Commissioner of the Department of Banking and Insurance, and the Commissioner of the Department of Labor and Workforce Development

The DLRC will meet monthly to review all non real estate development Authority exposure requests, including, but not limited to, direct and loan guarantee requests.

**Audit Committee** – Chair: Joe McNamara, Al Koepp, David Huber, Charles Sarlo, the State Treasurer, and the Commissioner of the Department of Banking and Insurance

The Audit Committee monitors the financial operations of the Authority including the review of the annual operating budget and those responsibilities outlined in the committee Charter. The committee will meet quarterly and at such other times as determined by the Chair.

**Policy Committee** - Chair: Al Koepp, Joe McNamara, Charles Sarlo, Larry Downes, David Huber and Philip Alagia

The Policy Committee provides advice on policy matters, the formulation of the Authority's annual strategic business plan and marketing strategy and meets at times determined by the Chief Executive Officer (CEO) in consultation with the Chair.

**Real Estate Committee** - Chair: Charles Sarlo, Fred Dumont, Harold Imperatore, Massiel Medina Ferrara, the Commissioner of the Department of Environmental Protection and the State Treasurer

The Real Estate Committee reviews all monthly real estate matters with Authority exposure prior to the Board meeting.

**Incentives Committee** - Chair: Larry Downes, Al Koepp, Joe McNamara, the Executive Branch Designee, the Commissioner of Labor and Workforce Development, and the State Treasurer

The Incentives Committee meets monthly to review all significant non-direct exposure incentive requests, including but not limited to tax credits.

**Compensation Committee** – Chairman Al Koepp, Joe McNamara, and Larry Downes

The Compensation Committee advises on compensation policies that enable the attraction and retention of staff and meets as determined by the CEO in consultation with the Chair.

### Staff Appointments

I am asking the Board to reaffirm the appointment of Marcus Saldutti as OPRA Custodian and the appointment of Fred Cole as Ethics Liaison Officers.

### Board Schedule

Attached is a schedule of the monthly Board meetings through September 2016 that I am asking the Board to approve at this time.

**Recommendation:**

By resolution we will be adopting this schedule for the next year's Board meeting dates. I am also seeking your approval for the following actions: 1) Committee appointments as noted above; 2) Appointment of the Assistant Secretaries; 3) Election of a Vice Chair and Treasurer; and 4) the reaffirmation of OPRA Custodian and Ethics Liaison Officers.

  
Al Koepp

Attachment

Prepared by: Patience Purdy

# **NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY**

## **2015-2016 BOARD MEETING DATES**

**Thursday October 15, 2015**

**Thursday, November 12, 2015**

**Tuesday, December 8, 2015**

**Tuesday, January 12, 2016**

**Tuesday, February 9, 2016**

**Thursday, March 10, 2015**

**Tuesday, April 12, 2016**

**Thursday May 12, 2016**

**Tuesday, June 14, 2016\***

**Thursday, July 14, 2016**

**Tuesday, August 9, 2016**

**Thursday, September 15, 2016**

All meetings are held from 10 a.m. – 12 noon – in the boardroom unless otherwise noted.

\*June 14, 2016 Board meeting will be held in Camden – WTCC.

**SCHEDULE IS SUBJECT TO CHANGE**

# **INCENTIVES PROGRAM**



**ECONOMIC REDEVELOPMENT AND GROWTH (ERG)  
PROGRAM**

*The following summary is provided for information only. Full eligibility and review criteria can be found in the program's rules.*

### **ECONOMIC REDEVELOPMENT AND GROWTH (ERG) PROGRAM**

Created by law in 2012, and revised through P.L. 2013, c. 161, and the "Economic Opportunity Act of 2014, Part 3," P.L. 2014, c. 63 the intent of this program is to provide State incentive grants to a developer, or non-profit organization on behalf of a qualified developer, to capture new State incremental taxes derived from a project's development to address a financing gap, with \$600 million authorized for qualified residential projects.

Per N.J.S.A. 34:1B-207 et seq. / N.J.A.C. 19:31-4 and the program's rules, the applicant must:

- Have a redevelopment project that is located in a qualifying area and not have begun any construction at the project site prior to submitting an application, except: if the EDA determines the project would not be completed otherwise; or if the project is undertaken in phases, a developer may apply for phases which construction has not yet commenced.
- Demonstrate to the EDA that: 1) the project shall be constructed in accordance with certain minimum environmental standards; 2) except with regards to a qualified residential project, the project will yield a net positive benefit equaling no less than 110% of the grant assistance, not to exceed 20 years; and 3) the project has a financing gap.
- Meet a 20% equity requirement.

Staff Review:

- A comprehensive net benefit analysis is conducted to ensure the project has a positive net benefit to the State of no less than 110%. The economic impact model used by the EDA includes multipliers from the RIMS II data base, published by the US Department of Commerce, along with internal econometric analysis and modeling to assess economic outputs, impacts and likely jobs creation.

Amount of award based upon:

- Up to 75% of annual incremental State tax revenues or 85% in a Garden State Growth Zone (GSGZ) generated by the project over a term of up to 20 years, provided the combined amount of reimbursements do exceed 20% of total project cost, or 30% in a GSGZ.
- The maximum amount of any grant, including any increase in the amount of reimbursement, shall be up to 30% of total project cost, except for projects in a GSGZ, which may be up to 40%.
- Bonus amounts of up to 10% of total project cost are available if the project is: In distressed municipality which lacks adequate access to nutritious food and will include a supermarket, grocery store or prepared food establishment; In distressed municipality which lacks adequate access to health care/services and will include a health care and services center; Transit project; Qualified residential project with at least 10% of residential units reserved for moderate income housing; In highlands development credit receiving area or redevelopment area; Disaster recovery project; Aviation project; Tourism destination project; or Substantial rehabilitation or renovation of an existing structure(s).

Qualified Residential Projects:

The law authorizes \$600 million in incentives for qualified residential projects, excluding transitional or homeless units, that the EDA administers as tax credits as follows: 1) \$250 million for projects within 8 southernmost counties, of which: \$175 million for projects in Camden/Atlantic City; \$75 million for projects in municipalities with a 2007 MRI Index of 400 or higher; and \$250 million for projects in: Urban Transit Hubs that are commuter rail in nature, GSGZ, Disaster recovery projects, and SDA municipalities located in Hudson County that were awarded State Aid in FY 2013 through the Transitional Aid to Localities Program; 2) \$75 million for projects in distressed municipalities, deep poverty pockets, highlands development credit receiving areas or redevelopment areas; and 3) \$25 million for projects located within a qualifying ERG incentive area.



**MEMORANDUM**

To: Members of the Authority

From: Timothy Lizura  
President and Chief Operating Officer

Date: September 10, 2015

RE: **Beachway Urban Renewal Associates, L.P. and  
Life Management, Inc.**  
Residential Economic Redevelopment and Growth Grant Program (“RES ERG”)  
P #41316

**Request**

As created by statute, the Economic Redevelopment and Growth (ERG) Program offers State incentive grants to finance development projects that demonstrate a financing gap. Applications to the ERG Program are evaluated to determine eligibility in accordance with P.L. 2013, c. 161 and as amended through the “Economic Opportunity Act of 2014, Part 3,” P.L. 2014, c. 63, based on representations made by applicants to the Authority. Per N.J.S.A. 52 :27D-489a et seq. / N.J.A.C. 19:31-4 and the program’s rules, developers or non-profit organizations on behalf of a qualified developer, must have a redevelopment project located in a qualifying area, demonstrate that the project has a financing gap, meet minimum environmental standards, meet a 20% equity requirement, and, except with regards to a qualified residential project, yield a net positive benefit to the state. With the exception of residential ERG projects, grants are made annually based on the incremental eligible taxes actually generated as a result of the project.

The Members are asked to approve the application of Beachway Urban Renewal Associates, L. P. and Life Management, Inc. (the “Applicant”) for a Project located in Keansburg, Monmouth County (the “Project”) for the issuance of tax credits pursuant to the RES ERG program of the Authority as set forth in the New Jersey Economic Opportunity Act of 2013, P.L. 2013, c. 161 (“Act”).

The total costs of the Project are estimated to be \$65,665,754 and of this amount \$56,743,222 are eligible costs under the RES ERG program. The recommendation is to award up to 30% of actual eligible costs, not to exceed \$17,022,967. The Applicant is eligible for a bonus of an additional 10% (for a total of 30%) as they meet criteria of reserving 20% of the residential units for moderate income housing. The Applicant has demonstrated that 111 units will be set aside for resident’s who meet the criteria of moderate income housing in Monmouth County.

The Applicant for the Project's financing has formed a limited partnership known as Beachway Urban Renewal Associates, L.P. The equity investor PNC Real Estate will have a 99.99% ownership interest. The Applicant will form Beachway Development, L.L.C. to serve as the general partner and hold a .01% ownership interest. RPM Partners XLV, L.L.C. will serve as the managing member and have 95.00% ownership of Beachway Development, L.L.C. Life Management, Inc., a non-profit organization, will set up a subsidiary to be a member of Beachway Development, L.L.C. holding 5.00% ownership interest.

Founded in 1986, RPM is one of the leading developers of affordable housing in New Jersey. Ed Martgolio is the sole principal and owns 100% of RPM Development L.L.C. RPM brings all aspects of the affordable housing development process under one roof, with expertise in development, construction, leasing, and property management. They have worked with cities, suburban towns, local housing authorities, and state and federal agencies to create high-quality housing options for New Jerseyans and are experienced in combining multiple forms of financing to bring projects to fruition.

To date, RPM has developed approximately 2,000 affordable housing units, of which 1,500 are Tax Credit units. RPM has secured permanent financing from HMFA to fund approximately 20 low income housing projects; however, they maintain a portfolio of over 30 affordable housing developments across the state.

The local, state, and federal Government, along with leaders in the affordable housing sector has recognized RPM for developments that have achieved excellence in the following areas:

- Historic renovation
- Neighborhood redevelopment
- Innovative affordable housing creation
- Sustainable Building
- Property management

### **Project Description**

Located at the corner of Beachway and Raritan Avenue, this project involves the new construction of an eight story high-rise, elevator equipped family project consisting of 186 dwelling units. The project site is just about 2.91 acres (of vacant land) with seven residential stories over approximately 10,000 square feet of commercial space and parking. A second level community open space plaza will overlook Raritan Bay with views of Staten Island, the Verrazano's Narrows, and Manhattan. RPM has proposed to develop this waterfront site with the intention of providing greater resiliency and sustainable living to all eligible individuals, with a focus on providing housing for people of the community that still remain displaced as a result of Superstorm Sandy.

The project will be comprised of 42 one-bedroom units, 116 two-bedroom units and 28 three-bedroom units. Fifty five percent of the units, or 102 units, will be affordable to households earning 60% or less of the area median income, an additional 5% of the units will be affordable to households earning 80% or less of the area median income and the remaining units (40%) will be unrestricted market rate units. Ten of the affordable housing units will be set aside as supportive units for homeless individuals, with a preference for homeless veterans. It has been confirmed by

HMFA, that the 10 units will be considered permanent housing for the homeless population and the tenants are welcomed to live in the project on a permanent basis with the assistance of the on-site social services that will be provided by the non-profit Life Management Inc. The unit sizes will range from 750 square feet to 1,425 square feet based on the number of bedrooms per unit.

For the purpose of the required green component, the project will comply with NJHMFA's Energy Star Program inclusive of: stainless steel ENERGY STAR-rated appliances, individual high-efficiency heating and cooling, contemporary, open floor plans; and healthy, zero-VOC finishes are among the unit amenities. Several of the units on the top floor will be duplex units that offer views of the Raritan Bay and the Manhattan skyline. Project amenities include secure, private, on-site parking spaces, laundry facilities, a community room, and a public plaza with waterfront views.

There will be approximately 209 parking spaces dedicated to the tenants of this community.

RPM Contracting L.L.C. will serve as the general contractor for the Project. They have a vast background in developing affordable projects as it relates to: renovating existing buildings, converting industrial land to residential use, in addition to transforming empty lots into housing assets for various communities. RPM Contracting L.L.C. has proven that they have the capacity to complete construction of all of their projects within a timely manner with minimal cost over-run.

Construction is expected to begin June 2016, with an anticipated completion date of March, 2018.

The Project will be managed by RPM Management II, LLC, and entity related to the developer.

Although applicants for the RES ERG program are not required to maintain certain employment levels, it is estimated that this Project, per the Applicant, will create approximately 126 temporary construction jobs during rehabilitation and six full time positions created at the project site.

### **Project Ownership**

On August 6, 2014, RPM Development, LLC entered into a Contract of sale with E.S.K. Builder's for a purchase price of \$2.25 million.

This is an arm's length transaction between the buyer and sellers as as both parties are acting in their own self interest.

Value Research Group, based out of Livingston, NJ provided an "as is" value of the site to be recognized as \$3.45 million effective August 4, 2015.

For underwriting purposes, EDA will recognize the lower of the sales price or appraised value.

## **Co-Applicant**

Life Management Inc., a New Jersey Based non-profit organization was formed in 1997 with a mission to promote the quality of life for individuals who are vulnerable to crises of daily living due to: age, disability, or socioeconomic status. RPM and LMI have previously partnered in the development of over 850 units of affordable housing throughout the State of NJ. Life management is currently managing the social services of 11 properties in RPM's portfolio inclusive of:

- Bakery village
- Bostwick Court
- Dr. King Plaza
- Lincoln Avenue Apartments
- South Essex Court
- Essex Preservation
- Springfield Commons
- Tri Corner Homes
- Millennium Homes
- Westside Village
- Cherry Tree Village

LMI has successfully demonstrated to the EDA as per the July 9, 2015 board memo, that they have met all requirements to act as the non-profit by demonstrating the following:

**Purposes of the Co-Applicant- Organizing documents of the Co-Applicant will be requested as well as a narrative regarding the activities of the Co-Applicant generally, in the State and in the municipality to verify that the Co-Applicant is in a position to provide the material participation to the project discussed below.**

- LMI has provided organizing documents as well as a narrative regarding the activities of the non-profit generally and in the State to better understand the purposes, mission and how the non-profit is necessary and related to the project. All organizing documents are in order and current.
- The narrative provided focused on how the non-profit will provide direct services specifically to the homeless population, in addition to the other tenants in an effort to provide a better quality of life.

**Material Participation. A long-term material participation agreement must be shared illustrating how the non-profit is taking an active role in the partnership.**

- A long-term material participation agreement will be provided at closing illustrating how the non-profit is taking an active role in the partnership.

**Level of Contribution-** The parties must demonstrate evidence that the Co-Applicant will contribute capital, real property or services related to the project that directly affect and serve the anticipated resident population.

- The Applicant has demonstrated that the non-profit will contribute capital, real property or valuable and related services to the project and/or the anticipated resident population.
- LMI will use the proceeds of the sale of the credits to loan back to the project for the term of the incentive or make a capital contribution to the project.

All residents of the Project will have access to a range of social services. These services, designed to empower the residents, may include personal financial management case management, mentoring, job training/search, crisis management and health and wellness activities. Special needs households will have full access to an on-site Resident Services Coordinator, who will provide case management services and encourage independent living and self-sufficiency. Social services being provided to the project will be in place beyond the term of the RES-ERG Incentive to ensure the tenants are being provided with adequate resources that will result in both personal and professional growth.

Based on the above information, the underwriter believes, LMI will play a significant role to the Project in addition to being a valuable resource to the tenants of this prospective community.

### **Project Uses**

The Applicant proposes the following uses for the Project:

| <i>Uses</i>                       | <i>Total Project Costs</i> | <i>RES ERG Eligible Amount</i> |
|-----------------------------------|----------------------------|--------------------------------|
| Acquisition of Land and Buildings | \$ 2,250,000               | \$ 2,250,000                   |
| Construction & Site Improvements  | \$ 47,578,042              | \$ 47,578,042                  |
| Professional Services             | \$ 1,517,100               | \$ 1,517,100                   |
| Financing & Other Costs           | \$ 4,949,793               | \$ 3,027,261                   |
| Contingency                       | \$ 2,370,819               | \$ 2,370,819                   |
| Development Fee                   | \$ 7,000,000               | \$ 0                           |
| <b>TOTAL USES</b>                 | <b>\$ 65,665,754</b>       | <b>\$ 56,743,222</b>           |

ERG eligible project costs exclude ineligible costs aggregating \$8.9 million which include the developer fee of \$7 million, Reserves of \$1.6 million, and advertising and promotion fees of \$279,000.

| <i>Sources of Financing</i> | <i>Amount</i>        |
|-----------------------------|----------------------|
| HUD 221 (d) (4)             | \$ 15,216,908        |
| HMFA Loan Fund              | \$ 2,500,000         |
| ERG Tax Credit Equity       | \$ 12,767,225        |
| Anticipated 2nd HMFA Loan   | \$ 18,870,000        |
| Equity:                     |                      |
| Applicant Equity            | \$ 1,996,728         |
| Deferred Developer Fee      | \$ 3,500,000         |
| LIHTC                       | \$ 10,814,893        |
| <b>Total</b>                | <b>\$ 65,665,754</b> |

The Applicant provided a commitment from PNC Real Estate for the HUD 221(d)(4) construction and permanent loan financing in the amount of \$15.2 million. The construction piece of the financing will have an interest only period for an estimated term of 20 months. The permanent loan will be for a term of 40 years at an estimated interest rate of 4.25% based on the projected market conditions when the loan converts to a fully amortizing permanent mortgage. The anticipated second HMFA loan in the amount of \$18.87 million will have a term of 40 years at a 1% interest rate compounded annually. HMFA will also provide construction and permanent loan financing in the estimated amount of \$250,000 from the Multifamily Rental Financing Production Fund, at an estimated annual interest rate of 1% during the construction term of two years. The note will be secured by a second mortgage lien on the property during construction and will hold a co-first mortgage lien on the property at permanent conversion. The loan will have a term of 30 years from the date of conversion to permanent financing. As part of its permanent financing structure the Applicant has also received a commitment from the tax credit syndicator, PNC Real Estate who will be providing both the Low Income Housing Tax Credit equity and RES ERG Tax Credit equity for a total of \$23,582,118. The RES ERG tax credits will be priced at \$0.75 for each dollar of State Tax Credits allocated to the investment of the project.

### **Development Fee**

The amount of developer fee allowed for eligible rehabilitation or new construction costs will be limited to 15% of total development costs excluding land, pre-operational expenses, and escrows and reserves pertaining to permanent takeout financing. Total development fee includes all hard and soft costs, in addition to applicable financing fees. Developer fee at project construction completion or stabilization shall not exceed 8% (out of the 15% total) with the balance being deferred and taken through projected cash flow. This is consistent with NJHMFA's approach.

The Applicant has demonstrated to both NJHMFA and EDA that the project will not generate sufficient cash flow to return the entire developer fee within five years of project stabilization. The maximum developer fee of 15% for this project will not be achieved until year 19.

RES ERG projects are required to have a minimum of 20% equity in its capital structure based on the total projects costs. The equity sources of capital in Beachway Urban Renewal Associates, L.P. and LMI Inc. are deferred developer fee of \$3.5 million, LIHTC equity syndicated by PNC Real Estate in the amount of \$10.8 million, and Applicant's equity in the amount of \$2 million which is collectively 25% of total project costs.

### **Other Statutory Criteria**

In order to be eligible for the program, the Authority is required to consider the following items:

#### **The economic feasibility and the need of the redevelopment incentive agreement to the viability of the project.**

The Applicant has demonstrated that the project is not financially feasible without the Residential ERG because a funding gap would remain after maximizing other funding sources, including those available from NJHMFA.

It is noted in the appraisal that Keansburg, specifically, has been hit hard due to the number of



foreclosures, currently, there are 3,331 properties in this community that are in some stage of foreclosure (default, auction or bank owned). Former residents of these foreclosed homes may be part of the market for units at this location.

The appraisal mentions that given the large number of income-eligible households in the primary market area and lack of availability among appropriate rental properties in the overall market area, there should be strong demand and a reasonable rent-up. Based on market data, the appraisal noted that the project will reach 100% stabilized occupancy within 12 months (inclusive of a three month pre-leasing period). The strengths listed in the area as per the appraisal are as follows: well designed units, part of a mixed community, a large need for quality housing in the market area, waterfront location, and limited competition; there were no weaknesses identified with the proposed development. Based on the occupancy rates in all comparable developments, it is likely that the subject should maintain less than 5%, as long as the property continues to be maintained and well managed.

The construction characteristics of the proposed housing should mix well with the other projects and will be superior or comparable to most of the existing housing in the neighborhood. The units will be competitive in size with the existing stock; but they will be far superior in amenities and features as compared to the older existing housing stock that will aide in revitalizing and spurring the much needed economic development to the City. This development will help provide a significant economic investment in Monmouth County.

The project did receive a resolution from Monmouth County for the purpose of demonstrating a need for affordable housing in addition to the mayor providing a letter of support for the development of this project. The Applicant is also in the process of negotiating a payment in lieu of taxes "PILOT" with an estimated 30 year term, at a rate of approximately 10.00% of annual gross revenue.

The Project appears to be economically feasible based on the track record of the Applicant and their development team as well as the committed funding sources for the entire cost budget which is available to this project. The project fills the need for mixed-use housing and will spur economic development as a result of the services that will be provided to the tenants at the project.

**The degree to which the redevelopment project within a municipality which exhibits economic and social distress, will advance State, regional, local development and planning strategies, promote job creation and economic development and have a relationship to other major projects undertaken within the municipality.**

The Borough of Keansburg is experiencing economic and social distress in the face of recovery from Superstorm Sandy. A large number of businesses and households were displaced by the storm, and, as a result, led to a decline in economic and population growth. The physical housing and building stock has been slow to recover from Superstorm Sandy. The Borough also has a high percentage of housing cost-burdened households. Moreover, these cost burdened households also suffered a high level of damage from Superstorm Sandy. Keansburg is one of four municipalities that have the highest level of "major" and "severe" renter damage.

The project furthers the goals of State, regional, and local development and planning strategies. The project is compatible with the New Jersey State Redevelopment Plan intention to encourage

redevelopment in the Metropolitan Area, Planning Area 1 to revitalize cities and towns, promote growth in compact forms, and stabilize older suburbs. The project also furthers State Plan policy objectives for ensuring efficient land use, providing a full range of housing choices, promoting economic development through infill development and public/private partnerships, promoting design to enhance public safety and encourage pedestrian activities, and promote well-planned and revitalized coastal communities that sustain economies and are compatible with the natural environment.

The Borough of Keansburg also participates in the Bayshore Regional Strategic Plan. This project advances the goals of the Borough of Keansburg to develop nodes and activity centers along the waterfront. It also fulfills the Plan's vision of revitalized downtown areas to serve local and tourist needs while preserving rich maritime history.

At the local level, the project is located on a site that has been declared an Area in Need of Rehabilitation and is included in the Borough's Redevelopment Plan for Main Street Node, Carr and Raritan Avenues, and Route 36 Gateway. The local government strategy includes leveraging existing infrastructure to re-imagine an important section of a main commercial corridor into a vibrant, mixed-use community. The project embodies the planning principles set forth in the local Redevelopment Plan, including a mixture of land uses that attract new year-round residents and support retail services, capitalizing on waterfront locations to attract year-round residents and support retail services, compact building design for efficient land use, a range of housing opportunities, a pedestrian-oriented environment, strengthening neighborhoods with a strong sense of place, and providing economic opportunities. The Borough is the recent recipient of a \$1.1 million Stronger NJ Neighborhood grant from the EDA, which aims to improve streetscapes and commercial corridors, including the immediately adjacent Carr Avenue. The Borough has also been active with its branding and marketing efforts in a strong attempt to bolster tourism and economic investment in town. The project will leverage the efforts of these other major projects to promote continued economic development.

The Applicant estimates that the project will create construction and permanent jobs, thereby promoting job creation and economic development. Approximately 126 construction jobs and 7 permanent jobs are expected to be created. The permanent positions will consist of superintendents, retail workers, social service personnel, property management, and leasing.

### **Recommendation**

Authority staff has reviewed the application for Beachway Urban Renewal Associates, L.P. and LMI Inc. and finds that it is consistent with eligibility requirements of the Act. It is recommended that the Members approve and authorize the Authority to issue a commitment letter to the Applicant.

Issuance of the RES ERG tax credits are contingent upon the Applicant meeting the following conditions:

1. Financing commitments for all funding sources for the Project consistent with the information provided by the Applicant to the Authority for the RES ERG; and

2. Evidence of site control and site plan approval for the Project; and
3. Copies of all required State and federal government permits for the Project and copies of all local planning and zoning board approvals that are required for the Project.
4. Evidence that the Project complies with N.J.A.C. 19:31-4.3(a) (3).
5. Verification of final site plan approval no later than November 30, 2015

Tax Credits shall be issued upon:


1. Completion of construction and issuance of a Certificate of Occupancy (no later than July 28, 2018); and
2. Submission of a detailed list of all eligible costs, which costs shall be certified by a CPA and satisfactory to the NJEDA; and

It is recommended that the members authorize the CEO of the EDA to execute any assignment agreements necessary to effectuate this transaction

The New Jersey Economic Opportunity Act of 2013 provides a total of \$600 million in tax credits to be utilized towards eligible residential based projects. This allocation is further separated into five additional allocations to assist projects meeting certain geographic and/or economic criteria. This project being located in Keansburg, Monmouth County qualifies to be funded under the allocation for projects located in a distressed municipality. The initial total of this allocation was \$75 million. After today's approvals, \$8.6 million remains in the allocation and \$236.4 million of tax credits remain in the total residential program

**Total Eligible Project Costs:** \$56,743,222

**Eligible Tax Credits and Recommended Award:** The recommendation is to award up to 30% of actual eligible costs, not to exceed \$17,022,967 million.



\_\_\_\_\_  
Timothy Lizura

**Prepared by: Jenell Johnson**



## MEMORANDUM

To: Members of the Authority

From: Timothy Lizura  
President and Chief Operating Officer

Date: September 10, 2015

RE: **New Horizons Phase I Urban Renewal Associates, LP and Newark Housing Authority**  
Residential Economic Redevelopment and Growth Grant Program (“RES ERG”)  
P #41281

### Request

As created by statute, the Economic Redevelopment and Growth (ERG) Program offers State incentive grants to finance development projects that demonstrate a financing gap. Applications to the ERG Program are evaluated to determine eligibility in accordance with P.L. 2013, c. 161 and as amended through the “Economic Opportunity Act of 2014, Part 3,” P.L. 2014, c. 63, based on representations made by applicants to the Authority. Per N.J.S.A. 52 :27D-489a et seq. / N.J.A.C. 19:31-4 and the program’s rules, developers or non-profit organizations on behalf of a qualified developer, must have a redevelopment project located in a qualifying area, demonstrate that the project has a financing gap, meet minimum environmental standards, meet a 20% equity requirement, and, except with regards to a qualified residential project, yield a net positive benefit to the state. With the exception of residential ERG projects, grants are made annually based on the incremental eligible taxes actually generated as a result of the project.

The Members are asked to approve the application of New Horizons Phase I Urban Renewal Associates, LP and Newark Housing Authority “NHA” (the “Applicant and “co-Applicant”) for a Project located in Newark, Essex County (the “Project”), for the issuance of tax credits pursuant to the RES ERG program of the Authority as set forth in the New Jersey Economic Opportunity Act of 2013, P.L. 2013, c. 161 (“Act”).

The total costs of the Project are estimated to be \$35,190,232 and of this amount \$28,333,445 are eligible costs under the RES ERG program. The recommendation is to give up to 30% of actual eligible costs, not to exceed \$8,500,033. A residential project is eligible to receive a RES ERG tax credit of up to 20% of the total eligible project costs. New Horizons Phase I Urban Renewal Associates, LP is also eligible for a bonus of an additional 10% (for a total of 30%)

because the Applicant has demonstrated they will reserve 20% of the units for moderate income housing.

New Horizon Phase I Urban Renewal Associates, LP, is the applicant for the project and NHA will be the co-applicant. Michaels Development will act as the developer for the Project's financing. Michaels Development has formed a Limited Liability Company known as Michael's LLC.

Michaels Development Company (the "Developer") has over 30 years of experience in producing quality affordable housing. The Developer has successfully developed over 25,000 housing units in 18 states and the U.S. Virgin Islands. Michael J. Levitt owns Michaels Development Corporation and its affiliate, Interstate Realty Management, and has been in the business of affordable housing for over 30 years.

### **Project Description**

The project is the new construction of a 89 family unit four-story mixed use building. The project will also consist of 5,364 square feet of retail space. The site is located at 220-280 Irvine Turner Boulevard and Muhammad Ali Avenue, in Newark. The site is approximately 3.67 acres (161,030 S.F.) and currently is vacant.

This project will be the First of three phases developing this property and the adjacent vacant lot. The second phase will be the new construction of an elevator midrise family building of 80 units and 20 townhouse units. The third phase will consist of a 100 unit senior building.

This project will contain 89 units, 24 of which will be public housing units, 45 will be section 8, and 18 will be leased to income eligible households whose income does not exceed 60% of the Essex County median income level.

This development will be built on a former Brownfield site. The contaminated soils will be remediated prior to construction and the site will incorporate 1-foot of clean soil as part of the completion of construction.

The units will each have Energy Star Rated appliances with a dishwasher, frost free refrigerator, stove, range and range hood. The applicant has agreed to comply with the Energy Star Homes Program as per NJHMFA's Green Standard Requirements.

Construction is expected to begin November 15, 2015 with an anticipated completion date of March 15, 2017.

Although applicants for the RES ERG program are not required to maintain certain employment levels, it is estimated that this Project, per the Applicant, will create approximately 80 temporary construction jobs during rehabilitation and 12 full time positions created at the project site as a result of the ERG subsidy.

### **Project Ownership**

The Applicant is a single purpose entity that will be 99.99% owned by an Investor Member LLC to be created through Perstige Affordable Housing Equity Partners, LLC. Michaels LLC, A New Jersey Limited Liability Company will act as the General Partner with a .005% interest and

Muhammad Ali Ave 220 Associates I, LLC, an affiliate of the Newark Housing Authority will hold .005% interest. The Newark Housing Authority will also be the co-applicant. NJEDA received a certification from the highest ranking officer of New Horizons Phase I Urban Renewal Associates, LP, as to the accuracy of the information submitted for the project.

The site is owned by the Newark Housing Authority. An independent appraisal was prepared for Citibank on July 8, 2015; the “as is” value of the land was determined to be \$220,000. The “as complete value” is estimated to be \$5.2 million. The Newark Housing Authority and New Horizons Phase I Urban Renewal Associates, LP has entered into a Ground Lease Agreement for 99 years executed on March 10, 2015. The Sponsor will pay an initial rent equal to \$2 million the first year. The annual leasehold fee will be \$1.00 thereafter. In accordance with EDA’s underwriting policy for the RES ERG Program \$2 million (Ground lease payment of the property) is reflected in total project cost however \$220,000 (the “as is” value of the property) is reflected in the eligible basis for the calculation of the award.

### **Co-Applicant**

To ensure that the co-applicant entity structure is necessary and appropriate, staff evaluated New Horizons Phase I Urban Renewal Associates, LP proposal to include the NHA not limited to but with a focus on the following:

**Purposes of the Co-Applicant. Organizing documents of the Co-Applicant will be requested as well as a narrative regarding the activities of the Co-Applicant generally, in the State and in the municipality to verify that the Co-Applicant is in a position to provide the material participation to the project discussed below.**

The NHA is enabled pursuant to the New Jersey Local Redevelopment and Housing Law (the “Housing Law”) and created pursuant to municipal ordinance of the City of Newark. As such the NHA is an agency and instrumentality of the City of Newark. Pursuant to the Housing Law, NHA has authority to:

1. “Plan, construct, own, and operate housing projects as well as receive and accept from the State or federal government, or any other source, funds or other financial assistance.”
2. “Borrow money and receive grants and loans from any source for the financing of a redevelopment project or housing project.”
3. “Make and enter into all contracts and agreements necessary or incidental to the performance of the duties authorized in the act.”

As such, the NHA is authorized to apply for, and receive the RES ERG funding as a co-applicant. Additionally, NHA, or an affiliate created by NHA for the specific transaction, has materially participated in each LIHTC/public housing transaction completed over the last ten years for the housing authority. Accordingly, NHA being a co-applicant for the RES ERG is consistent with its mission and previous development practices.

**Material Participation. A long-term material participation agreement must be shared illustrating how the Co-Applicant is taking an active role in the partnership.**

Specifically with respect to the New Horizons Phase 1 Project, the Newark Housing Authority has and will continue to materially participate in the development of the Project in the following ways:

- The NHA will continue to own the land and have a right of refusal to purchase the improvements at the end of the 15 year low income housing tax credit compliance period;
- The NHA is a co-developer of the New Horizons project and in consideration for its services is receiving 25% of the developer fee;

**Level of Contribution. The parties must demonstrate evidence that the Co-Applicant will contribute capital, real property or services related to the project that directly affect and serve the anticipated resident population.**

- The NHA is lending its capital funding to the project in the amount of \$6,329,296.
- The NHA currently owns the land for this project and will be contributing this land to the applicant entity.

**Project Uses**

The Applicant proposes the following uses for the Project:

| <i>Uses</i>                       | <i>Total Project Costs</i> | <i>RES ERG Eligible Amount</i> |
|-----------------------------------|----------------------------|--------------------------------|
| Acquisition of Land and Buildings | \$ 2,002,500               | \$ 220,000                     |
| Construction & Site Improvements  | 21,313,600                 | 21,313,600                     |
| Professional Services             | 2,180,200                  | 2,180,200                      |
| Financing & Other Costs           | 4,327,352                  | 3,503,584                      |
| Contingency                       | 1,116,061                  | 1,116,061                      |
| Development Fee                   | 4,250,519                  | 0                              |
| <b>TOTAL USES</b>                 | <b>\$ 35,190,232</b>       | <b>\$ 28,333,445</b>           |

RES ERG eligible project costs exclude ineligible costs aggregating \$6,856,787, which include the developer fee of \$4,250,519, Reserves of \$823,768, and ineligible land costs of \$1,782,500.

| <i>Sources of Financing</i> | <i>Amount</i>        |
|-----------------------------|----------------------|
| Permanent Debt              | \$ 5,263,250         |
| NHA Loan A                  | 4,649,212            |
| NHA Loan B                  | 1,590,084            |
| RES ERG Proceeds            | 6,375,025            |
| NHA Sellers Note            | 1,852,500            |
| Equity:                     |                      |
| Deferred Developer Fee      | 2,218,196            |
| LIHTC                       | 13,241,965           |
| <b>Total</b>                | <b>\$ 35,190,232</b> |

The Applicant received a commitment for conduit construction and permanent financing at NJHMFA's August 13, 2015 board meeting. The permanent debt financing will be structured as a direct placement with Citibank. The permanent debt will have a 35 year amortization period with a term of 18 years and a fixed interest rate of 5.50%. The applicant has also received three commitments from NHA to provide financing to the project. NHA will be providing a loan in the amount of \$4,649,212 at a fixed rate of 5% with a term of 35 years. NHA will also be providing a second note in the amount of \$1,590,084 at a fixed rate of 1% with a term of 35 years. Finally, NHA will provide a sellers note in the amount of \$1,852,500 at estimated rate of 1.0% with a term of 35 years.

As part of its permanent financing structure the Applicant has received a commitment letter dated July 10, 2015 from the tax credit syndicator, Prestige Affordable Housing Equity Partners, who will be providing both the Low Income Housing Tax Credit equity and RES ERG Tax Credit equity for a total of \$19.6 million. The RES ERG tax credits will be priced at \$0.75 for each dollar of State Tax Credits allocated to the investment of the project.

RES ERG projects are required to have a minimum of 20% equity in its capital structure based on the total projects costs. The equity sources of capital in New Horizons Phase I Urban Renewal Associates, LP and Newark Housing Authority are deferred developer fee of \$2,218,196, LIHTC equity syndicated by Prestige Affordable Housing Equity Partners in the amount of \$13.2 million, which collectively is 44% of total project costs.

#### **Development Fee**

The amount of developer fee allowed for eligible rehabilitation or new construction costs will be limited to 15% of total development costs excluding land, pre-operational expenses, and escrows and reserves pertaining to permanent takeout financing. Total development fee includes all hard and soft costs, in addition to applicable financing fees. Developer fee at project construction completion or stabilization shall not exceed 8% (out of the 15% total) with the balance being deferred and taken through projected cash flow. This is consistent with NJHMFA's approach.

The Applicant has demonstrated to both NJHMFA and EDA that the project will not generate sufficient cash flow to return the entire developer fee within five years of project stabilization. The maximum developer fee of 15% for this project will not be achieved until year 18.

#### **Other Statutory Criteria**

In order to be eligible for the program, the Authority is required to consider the following items:

#### **The economic feasibility and the need of the redevelopment incentive agreement to the viability of the project**

The Project poses a funding gap and the development of this multifamily community is likely not to happen without the EDA's assistance. The applicant was able to demonstrate a shortfall in the financing structure without being awarded the RES ERG credits. The land is currently vacant and as a result of this project, Newark will continue to focus on spurring the development within the city. The Project appears to be economically feasible based on the track record of the Applicant and their development team as well as the numerous funding sources and subsidies that have been made available to this project.



The Authority is in receipt of a Market Feasibility Analyses dated June 23, 2015 prepared by Value Research Group, a third party consultant who issued their determination of current and future market conditions. The study demonstrates the continued market demand for the project and supports the financial assumptions included in the project pro-forma. As per the market study, the subject is located in an established urban area with vacancy rates less than 5%. The study mentions that the project will lease units at an average of 10 units per month and should reach full occupancy within less than a year of construction completion.

The applicant did receive a resolution from Essex County demonstrating a need for affordable housing in addition to the mayor providing a letter of support for the development of this project. The project also received a payment in lieu of taxes "PILOT" for a term of 30 years at a rate of 6.28% from the City of Newark in an effort to receive a reduction in the annual property taxes.

The Project appears to be economically feasible based on the track record of the applicant and their development team as well as the committed funding sources for the entire cost budget which is available to this project.

**The degree to which the redevelopment project within a municipality which exhibits economic and social distress, will advance State, regional, local development and planning strategies, promote job creation and economic development and have a relationship to other major projects undertaken within the municipality.**

The Project is located in Newark, an urban aid municipality. Newark is ranked number 554 out of 566 municipalities per the ranking of distress in New Jersey. For many decades, Newark has combated a negative perception stemming from crime and safety statistics, which has caused a "cycle of disinvestment." Newark has a handful of prominent corporations that have built their headquarters in the area and have reinvested into the city. The construction of housing on the vacant land will improve the social distress by building upon the city's broader redevelopment goals and social objectives. New Horizons will be located on direct access routes for public transit and will be accessible to an economically disadvantaged workforce.

The subject property is a part of the "downtown" market of Newark. The area contains a variety of uses, including residential, commercial and retail. The City of Newark has experienced some hurdles in the past, however, efforts have been put forth through redevelopment and as a result, the City has already seen progress for housing values within the area. The strengths of this community include location, churches, public transportation, and local stores. Many retail stores are within walking distance of the site and additional retail and comparison shopping venues are within convenient driving distance. Residents of the community can commute to major employers via train and or bus. The site location is comparable to those of several existing affordable communities in the area.

The construction characteristics of the proposed housing should mix well with the other projects and will be superior or comparable to most of the existing housing in the neighborhood. The units will be competitive in size with the existing stock; but they will be far superior in amenities and features as compared to the older existing housing stock that will aide in revitalizing the City. This development will help provide a significant economic investment in Essex County. The project fills the need for affordable senior housing within the city of Newark.

**Recommendation**

Authority staff has reviewed the application for New Horizons Phase I Urban Renewal, LP and NHA and finds that it is consistent with eligibility requirements of the Act. It is recommended that the Members approve and authorize the Authority to issue a commitment letter to the Applicant.

Issuance of the RES ERG tax credits are contingent upon the Applicant meeting the following conditions:

1. Financing commitments for all funding sources for the Project consistent with the information provided by the Applicant to the Authority for the RES ERG; and
2. Evidence of site control and site plan approval for the Project; and
3. Copies of all required State and federal government permits for the Project and copies of all local planning and zoning board approvals that are required for the Project.
4. Evidence that the Project complies with N.J.A.C. 19:31-4.3(a) (3).

Tax Credits shall be issued upon:

1. Completion of construction and issuance of a Certificate of Occupancy (no later than July 28, 2018; and
2. Submission of a detailed list of all eligible costs, which costs shall be certified by a CPA and satisfactory to the NJEDA; and

It is recommended that the members authorize the CEO of the EDA to execute any assignment agreements necessary to effectuate this transaction

The New Jersey Economic Opportunity Act of 2013 provides a total of \$600 million in tax credits to be utilized towards eligible residential based projects. This allocation is further separated into five additional allocations to assist projects meeting certain geographic and/or economic criteria. This project being located in Newark, Essex County qualifies to be funded under the allocation for projects located in a distressed municipality. The initial total of this allocation was \$75 million. After today's approvals, \$8.6 million remains in the allocation and \$236.4 million tax credits remain in the total residential program.

**Total Eligible Project Costs:** \$28,333,445

**Eligible Tax Credits and Recommended Award:** The recommendation is to award up to 30% of actual eligible costs, not to exceed \$8,500,033 to be paid over 10 years.

  
\_\_\_\_\_  
Timothy Lizura

**Prepared by: Matt Boyle**

**GROW NEW JERSEY ASSISTANCE PROGRAM (GROW NJ)**

The following summary is provided for information only. Full eligibility and review criteria can be found in the program's rules.

### **GROW NEW JERSEY ASSISTANCE PROGRAM (GROW NJ)**

Created by law in 2012, and revised through P.L. 2013, c. 161 and the "Economic Opportunity Act of 2014, Part 3," the intent of this program is to provide tax credits to eligible businesses which make, acquire or lease a capital investment equal to or greater than certain minimum capital investment amounts at a qualified business facility at which it will employ certain numbers of employees in retained and/or new full-time jobs.

Per N.J.S.A. 34:1B-242 et seq. / N.J.A.C. 19:31-18 and the program's rules, the applicant must:

- Make, acquire, or lease a capital investment equal to, or greater than, the minimum capital investment, i.e.: Industrial, Warehousing, Logistics and R&D/Rehabilitation Projects -\$20 sq. ft.; Industrial, Warehousing, Logistics and R&D/New Construction Projects-\$60 sq. ft.; Other/Rehabilitation Projects-\$40 sq. ft.; and Other/New Construction-\$120 sq. ft.  
*Minimum capital investment amounts lowered to 2/3 in GSGZs and in eight southernmost counties*
- Retain full-time jobs and/or create new full-time jobs in an amount equal to or greater than, the applicable minimum requirements, as follows: Tech start ups and manufacturing businesses - 10 new/25 retained FT jobs; Other targeted industries - 25 new/35 retained FT jobs; All other businesses/industries - 35 new/50 retained FT jobs.  
*Minimum employment numbers lowered to 3/4 in GSGZs and in eight southernmost counties*
- Demonstrate that: 1) the qualified business facility is constructed to certain minimum environmental / sustainability standards; 2) the proposed capital investment and resultant retention and creation of eligible positions will yield a net positive benefit equaling at least 110% of requested tax credit allocation amount prior to taking into account the value of requested tax credit, and shall be based on benefits generated during the initial years following project completion (Mega Project or GSGZ – up to 30 years; GSGZ-Camden up to 35 years and equal to 100% of requested allocation; all other projects up to 20 years); and, the award of tax credits will be a material factor in the business's decision to create or retain the minimum number of full-time jobs with evidence relating to viable alternatives to the site and ability to dispose of or carry the costs of the site, if the business moves to the alternate site.

#### Staff Review:

- A comprehensive net benefit analysis is conducted to ensure the project has a positive net benefit to the State of at least 110%. The economic impact model used by the EDA includes multipliers from the RIMS II data base, published by the US Department of Commerce, along with internal econometric analysis and modeling to assess economic outputs, impacts and likely jobs creation.
- For material factor, staff reviews cost benefit analyses provided by the company regarding other out-of-state sites under consideration and cost of rent, property taxes, and utility costs; and, also investigates any existing labor contracts or real estate ownership that would render a re-location out of New Jersey impractical or cost prohibitive.
- For intra-State job transfers, EDA Board shall make a separate determination to verify and confirm that the jobs are at risk of leaving the state, the date(s) at which the EDA expects that those jobs would actually leave, or with respect to projects in a GSGZ-Camden/Atlantic City, that the provision of tax credits under the program is a material factor in the businesses decision to make a capital investment and locate there, as attested to in a CEO certification.
- If the business reduces the total number of its full-time employees in the State by more than 20% from the tax period prior to approval, then the business shall forfeit its credit for that tax period and going forward until such time as its full-time employment in the State has increased to the 80% level.

Amount of award based upon:

- Base, gross and maximum amounts of tax credits for each new or retained full-time job, follows:

| <b>Project Type</b>       | <b>Base Amount<br/>Per Job/Per Year</b> | <b>Gross Amount<br/>Per Job/Per Year</b> | <b>Maximum Amount<br/>To be Applied Annually</b>           |
|---------------------------|---|--|--|
| Mega Project              | \$5,000                                 | \$15,000                                 | \$30 million   |
| GSGZ Project              | \$5,000                                 | \$15,000                                 | \$30 million/\$35 million-Camden/Atlantic City             |
| UTHTC Municipality        | \$5,000                                 | \$12,000                                 | \$10 million   |
| Distressed Municipality   | \$4,000                                 | \$11,000                                 | \$8 million  |
| Priority Area             | \$3,000                                 | \$10,500                                 | \$4 million ( <i>Not more than 90% of withholdings</i> )   |
| Other Eligible Area       | \$500                                   | \$6,000                                  | \$2.5 million ( <i>Not more than 90% of withholdings</i> ) |
| Disaster Recovery Project | \$2,000                                 | \$2,000                                  |  |

- Bonus – The amount of tax credit shall be increased if the qualified business facility meets any of the following priority criteria or other additional or replacement criteria determined by EDA from time to time in response to evolving economic or market conditions:

| <b>Bonus Type</b>   | <b>Bonus Amount</b> |
|---|---------------------|
| Deep poverty pocket or Choice Neighborhoods Transportation Plan area  | \$1,500             |
| Qualified incubator facility  | \$500               |
| Mixed-use development with sufficient moderate income housing on site to accommodate 20% of full-time employees | \$500               |
| Transit oriented development  | \$2,000             |
| Excess capital investment in industrial site for industrial use ( <i>excludes mega projects</i> )               | \$3,000 maximum     |
| Excess capital investment in industrial site for industrial use ( <i>mega projects or GSGZ projects</i> )       | \$5,000 maximum     |
| Average salary in excess of county's existing average or in excess of average for GSGZ                          | \$1,500 maximum     |
| Large numbers of new and retained full-time jobs  |                     |
| 251 to 400  | \$500               |
| 401 to 600  | \$750               |
| 601 to 800  | \$1,000             |
| 801 to 1,000  | \$1,250             |
| 1,001+  | \$1,500             |
| Business in a targeted industry   | \$500               |
| Exceeds LEED "Silver" or completes substantial environmental remediation  | \$250               |
| Located in municipality in eight southernmost counties with a MRI Index greater than 465                        | \$1,000             |
| Located within a half-mile of any new light rail station  | \$1,000             |
| Projects generating solar energy for onsite use   | \$250               |
| Vacant commercial building with over 1 million sq. ft. of lab space/1 year occupancy                            | \$1,000             |

- Final Total Tax Credit Amount – Except for in GSGZs, the final total amount of tax credit, following the determination by EDA of the gross amount of tax credits, shall equal to 100% of the gross amount of tax credits for each new full-time job; and the lesser of 50% for each retained full-time job or the capital investment made by the applicant, per employee.
- For tax credits in excess of \$40 million, the amount available to be applied by the business annually shall be the lesser of the permitted statutory maximum amount or an amount determined by EDA necessary to complete the project, determined through staff analysis of all locations under consideration and all lease agreements, ownership documents, or substantially similar documentation for the business's current in-State locations and potential out-of State location alternatives.
- Limits on Annual Tax Credits – The amount of tax credits available to be applied by the business annually shall not exceed: GSGZ/Camden/Atlantic City - \$35,000,000; Mega Project/GSGZ - \$30,000,000; Urban Transit Hub - \$10,000,000; Distressed Municipality - \$8,000,000; Priority Areas - \$4,000,000 (not more than 90% of withholdings); and Other Eligible Areas - \$2,500,000 (not more than 90% of withholdings).



company’s location decision. The Authority is in receipt of an executed CEO certification by Jaswinder Chadha, the CEO of Axtria, Inc., that states that the application has been reviewed and the information submitted and representations contained therein are accurate and that, but for the Grow New Jersey award, the creation and/or retention of jobs would not occur. It is estimated that the project would have a net benefit to the State of \$32.4 million over the 20 year period required by the Statute.

**FINDING OF JOBS AT RISK:**

The applicant has certified that the 100 New Jersey jobs listed in the application are at risk of being located outside the State on or before 1/1/2016 due to the applicant’s current lease which expires 12/31/2015. This certification coupled with the economic analysis of the potential locations submitted to the Authority has allowed staff to make a finding that the jobs listed in the application are at risk of being located outside of New Jersey.

**ELIGIBILITY AND GRANT CALCULATION:**

Per the Grow New Jersey statute, N.J.S.A. 34:1B-242 et seq. and the program’s rules, N.J.A.C. 19:31-18, the applicant must:

- Make, acquire, or lease a capital investment equal to, or greater than, the minimum capital investment, as follows:

| <u>Minimum Capital Investment Requirements</u>  | <u>(\$/Square Foot of Gross Leasable Area)</u> |
|---|--|
| Industrial/Warehouse/Logistics/R&D - Rehabilitation Projects  | \$ 20  |
| Industrial/Warehouse/Logistics/R&D - New Construction Projects  | \$ 60  |
| <b>Non-Industrial/Warehouse/Logistics/R&amp;D – Rehabilitation Projects</b>   | <b>\$ 40</b>                                   |
| Non-Industrial/Warehouse/Logistics/R&D – New Construction Projects  | \$120  |
| <i>Minimum capital investment amounts are reduced by 1/3 in GSGZs and in eight South Jersey counties: Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean and Salem</i> |  |

- Retain full-time jobs **AND/OR** create new full-time jobs in an amount equal to or greater than the applicable minimum, as follows:

| <u>Minimum Full-Time Employment Requirements</u>  | <u>(New / Retained Full-time Jobs)</u> |
|---|--|
| Tech start ups and manufacturing businesses   | 10 / 25                                |
| <b>Other targeted industries</b>  | <b>25 / 35</b>                         |
| All other businesses/industries   | 35 / 50                                |
| <i>Minimum employment numbers are reduced by 1/4 in GSGZs and in eight South Jersey counties: Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean and Salem</i> |  |

As an Non-Industrial/Warehouse/Logistics/R&D – Rehabilitation Project for a technology business in Union County, this project has been deemed eligible for a Grow New Jersey award based upon these criteria, outlined in the table below:

| <b>Eligibility</b> | <b>Minimum Requirement</b> | <b>Proposed by Applicant</b> |
|--------------------|----------------------------|------------------------------|
| Capital Investment | \$1,103,720                | \$1,148,400                  |
| New Jobs           | 25                         | 75                           |
| Retained Jobs      | 35                         | 100                          |

The Grow New Jersey Statute and the program’s rules also establish criteria for the Grant Calculation for **New Full-Time Jobs**. This project has been deemed eligible for a Base Award and Increases based on the following:

| <b>Base Grant</b>                                 | <b>Requirement</b>  | <b>Proposed by Applicant</b>   |
|---|---|--|
| Priority Area                                     | Base award of \$3,000 per year for projects located in a designated Priority Area   | Berkeley Heights is a designated Priority Area   |
| <b>Increase(s) Criteria</b>                       |   |  |
| Jobs with Salary in Excess of County/GSGZ Average | An increase of \$250 per job for each 35% the applicant’s median salary exceeds the median salary of the County, or the Garden State Growth Zone, in which the project is located with a maximum increase of \$1,500  | The proposed median salary of \$90,000 exceeds the Union County median salary by 83% resulting in an increase of \$500 per year. |
| Targeted Industry                                 | An increase of \$500 per job for a business in a Targeted Industry of Transportation, Manufacturing, Defense, Energy, Logistics, Life Sciences, Technology, Health, or Finance excluding a primarily warehouse, distribution or fulfillment center business | The applicant is a Technology business.  |

The Grow New Jersey Statute and the program’s rules establish a Grant Calculation for **Retained Full-Time Jobs**. The Grant Calculation for Retained Full-Time Jobs for this project will be based upon the following:

| <b>PROJECT TYPE</b>  | <b>GRANT CALCULATION</b>   |
|--|--|
| Project located in a Garden State Growth Zone  | The Retained Full-Time Jobs will receive the same Grant Calculation as New Full-Time Jobs as shown above subject to the same per employee limits.  |
| A Mega Project which is the U.S. headquarters of an automobile manufacturer located in a priority area   | The Retained Full-Time Jobs will receive the same Grant Calculation as New Full-Time Jobs as shown above subject to the same per employee limits.  |
| The Qualified Business Facility is replacing a facility that has been wholly or substantially damaged as a result of a federally declared disaster | The Retained Full-Time Jobs will receive the same Grant Calculation as New Full-Time Jobs as shown above subject to the same per employee limits.  |
| <b>All other projects</b>  | <p>The Retained Full-Time Jobs will receive the lesser of:</p> <ul style="list-style-type: none"> <li>- ½ of the Grant Calculation for New Full-Time Jobs (<math>1/2 * \\$4,000 = \\$2,000</math>) or</li> <li>- <b>The estimated eligible Capital Investment divided by 10 divided by the total New and Retained Full-Time Jobs</b> (<math>\\$1,148,400 / 10 / (75 + 100) = \\$656</math>)</li> </ul> <p>In the event that upon completion a project has a lower actual Grant Calculation for New Full-Time Jobs or a lower Capital Investment than was estimated herein, the above calculations will be re-run and the applicant will receive the lesser of the two amounts.</p> |



Grant Calculation

**BASE GRANT PER EMPLOYEE:**

Priority Area \$ 3,000

**INCREASES PER EMPLOYEE:**

Jobs with Salary in Excess of County Average: \$ 500  
Targeted Industry of Technology: \$ 500

**INCREASE PER EMPLOYEE:** \$ 1,000

**PER EMPLOYEE LIMIT:**

Priority Area \$10,500

**LESSER OF BASE + INCREASES OR PER EMPLOYEE LIMIT:** \$ 4,000

**AWARD:**

New Jobs: 75 Jobs X \$4,000 X 100% = \$300,000  
Retained Jobs: 100 Jobs X \$ 656 X 100% = \$ 65,600

**Total:** **\$365,600**

**ANNUAL LIMITS:**

Priority Area (Est. 90% Withholding Limit) \$ 4,000,000/(\$661,910)

**TOTAL ANNUAL AWARD** **\$365,600**

|  |                |
|--|----------------|
| <b>ESTIMATED ELIGIBLE CAPITAL INVESTMENT:</b>                              | \$ 1,148,400   |
| <b>EXPECTED PROJECT COMPLETION:</b>  | 1/1/2016       |
| <b>NEW FULL-TIME JOBS:</b>   | 75             |
| <b>RETAINED FULL-TIME JOBS:</b>  | 100            |
| <b>GROSS BENEFIT TO THE STATE (OVER 20 YEARS, PRIOR TO AWARD):</b>         | \$ 36,106,399  |
| <b>NET BENEFIT TO THE STATE (OVER 20 YEARS, NET OF AWARD):</b>             | \$ 32,450,399  |
| <b>TOTAL AMOUNT OF AWARD: (CAPPED ANNUALLY AT<br/>90% OF WITHHOLDINGS)</b> | \$ 3,656,000   |
| <b>ELIGIBILITY PERIOD:</b>   | 10 years       |
| <b>MEDIAN WAGES:</b>   | \$ 90,000      |
| <b>SIZE OF PROJECT LOCATION:</b>   | 27,593 sq. ft. |
| <b>NEW BUILDING OR EXISTING LOCATION?</b>                                  | Existing       |
| <b>INDUSTRIAL OR NON-INDUSTRIAL FACILITY?</b>                              | Non-Industrial |
| <b>CITY FROM WHICH JOBS WILL BE RELOCATED IN NEW JERSEY:</b>               | N/A            |
| <b>STATEWIDE BASE EMPLOYMENT:</b>  | 100            |
| <b>PROJECT IS:</b> ( X ) Expansion ( ) Relocation                          |                |
| <b>CONSTRUCTION:</b> ( X ) Yes ( ) No                                      |                |

**CONDITIONS OF APPROVAL:**

1. Applicant has not entered into a lease, purchase contract, or otherwise committed to remain in New Jersey.
2. Applicant will make an eligible capital investment of no less than the Statutory minimum after board approval, but no later than 3 years from Board approval.
3. No employees that are subject to a BEIP, BRRAG, legacy Grow New Jersey, Urban Transit Hub or other NJEDA incentive program are eligible for calculating the benefit amount of the Grow New Jersey tax credit.
4. No capital investment that is subject to a BEIP, BRRAG, legacy Grow New Jersey, Urban Transit Hub or other NJEDA incentive program is eligible to be counted toward the capital investment requirement for Grow New Jersey.
5. Within six months following approval, the applicant will submit progress information indicating that the business has site plan approval, committed financing for, and site control of the qualified business facility.

**APPROVAL REQUEST:**

The Members of the Authority are asked to: 1) concur with the finding by staff that the jobs in the application are at risk of being located outside New Jersey on or before 1/1/2016; 2) approve the proposed Grow New Jersey grant to encourage Axtria, Inc. to increase employment in New Jersey. The recommended grant is contingent upon receipt by the Authority of evidence that the company has met certain criteria to substantiate the recommended award. If the criteria met by the company differs from that shown herein, the award amount and the term will be lowered to reflect the award amount that corresponds to the actual criteria that have been met.

**DEVELOPMENT OFFICER:** M. Abraham

**APPROVAL OFFICER:** D. Poane

**NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY  
PROJECT SUMMARY – GROW NEW JERSEY ASSISTANCE PROGRAM**

As created by statute, the Grow New Jersey Assistance (Grow NJ) Program is available to businesses creating or retaining jobs in New Jersey and making a qualified capital investment at a qualified business facility in a qualified incentive area. Applications to the Grow NJ Program are evaluated to determine eligibility in accordance with P.L. 2013, c. 161 and as amended through the “Economic Opportunity Act of 2014, Part 3,” P.L. 2014, c. 63, based on representations made by applicants to the Authority. Per N.J.S.A. 34:1B-242 et seq./N.J.A.C. 19:31-1 and the program’s rules, applicants must employ a certain number of personnel in retained and/or new full-time jobs at a qualified business facility and make, acquire or lease a capital investment equal to or greater than defined thresholds in order to be eligible for tax credits. In addition to satisfying these statutorily-established job and capital investment requirements, applications undergo a material factor review to verify that the tax credits are material to the project advancing in New Jersey. Applications are also subject to a net benefit analysis to verify that the anticipated revenue resulting from the proposed project will be greater than the incentive amount. Credits are only certified for use annually and proportionally based on actual job performance during that year and an applicant is subject to forfeiture and recapture in event of default.

**APPLICANT:** Chelten House Products, Inc. P41334

**PROJECT LOCATION:** 100 Progress Court Logan Township Gloucester County  
607 Heron Drive Logan Township Gloucester County

**GOVERNOR’S INITIATIVES:**

NJ Urban Fund       Edison Innovation Fund       Core       Clean Energy

**APPLICANT BACKGROUND:**

Chelten House Products, Inc. is a fourth generation family business that has been developing premium products for food purveyors and marketing companies for more than 40 years. From the company’s dual facilities in Logan Twp., NJ (150,000 sq. ft.) and Las Vegas, NV (86,000 sq. ft.), it creates, packs and ships high-quality food items worldwide. Manufactured and sold under the Chelten House, Marinade Bay and Simply Natural brands, as well as a private label, Chelten’s principal products include salad dressings, pasta sauces, marinades, salsas, ketchups and mustards sold directly to supermarkets. Over the past 10 years, Chelten has expanded its manufacturing footprint, research and development space and service offerings, which extend into the growing market space of premium, all natural and organic products. The applicant has demonstrated the financial ability to undertake the project.

Chelten House has utilized Authority financing in the past via tax-exempt bond financing, the state-wide loan pool program and a direct loan. The bond and the loans have been paid in full in accordance with the terms of the financings.

**MATERIAL FACTOR/NET BENEFIT:**

In order to maintain its growth and meet the increasing market demand for its products, Chelten must build a manufacturing facility of 244,375 sq. ft. and is considering Logan Twp., NJ or Las Vegas, Nevada. If completed in NJ, this planned expansion will include the construction of an energy efficient manufacturing facility, together with its existing facility, a projected total capital investment of \$61 million, the creation of 125 new jobs and the retention of 176 existing jobs in Logan Twp., NJ. The alternative is to expand in Las Vegas, next to its current facility.

The 150,000 sq. ft. manufacturing facility that the company currently operates, together with the proposed new construction of a 244,375 sq. ft. manufacturing facility, are deemed to be a “complex of buildings” as the buildings are part of the same financing and operational plans to expand in Logan Twp. Due to the locations sharing the same geographical scoring criteria and space characteristics (both are industrial), only one grant

calculation is necessary. However, as one building is an existing structure and the other building will be constructed, the minimum capital investment requirements are different and will need to be met individually at each facility.

The location analysis submitted to the Authority shows New Jersey to be the more expensive option and, as a result, the management of Chelten House Products, Inc. has indicated that the grant of tax credits is a material factor in the company's location decision. The Authority is in receipt of an executed CEO certification by Steven Dabrow, the CEO of Chelten House Products, Inc., that states that the application has been reviewed and the information submitted and representations contained therein are accurate and that, but for the Grow New Jersey award, the creation and/or retention of jobs would not occur. It is estimated that the project would have a net benefit to the State of \$142 million over the 20 year period required by the Statute.

#### **FINDING OF JOBS AT RISK:**

The applicant has certified that the 176 New Jersey jobs listed in the application are at risk of being located outside the State on or before December 31, 2017, when the manufacturing plant would be completed in Nevada. This certification coupled with the economic analysis of the potential locations submitted to the Authority has allowed staff to make a finding that the jobs listed in the application are at risk of being located outside of New Jersey.

#### **ELIGIBILITY AND GRANT CALCULATION:**

Per the Grow New Jersey statute, N.J.S.A. 34:1B-242 et seq. and the program's rules, N.J.A.C. 19:31-18, the applicant must:

- Make, acquire, or lease a capital investment equal to, or greater than, the minimum capital investment, as follows:

| <u>Minimum Capital Investment Requirements</u>                            | <u>(\$/Square Foot of Gross Leasable Area)</u> |
|---|--|
| <b>Industrial/Warehouse/Logistics/R&amp;D – Rehabilitation Projects</b>   | <b>\$ 20 (Heron Drive)</b>                     |
| <b>Industrial/Warehouse/Logistics/R&amp;D - New Construction Projects</b> | <b>\$ 60 (Progress Court)</b>                  |
| Non-Industrial/Warehouse/Logistics/R&D – Rehabilitation Projects          | \$ 40  |
| Non-Industrial/Warehouse/Logistics/R&D – New Construction Projects        | \$120  |

*Minimum capital investment amounts are reduced by 1/3 in GSGZs and in eight South Jersey counties: Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean and Salem*

- Retain full-time jobs **AND/OR** create new full-time jobs in an amount equal to or greater than the applicable minimum, as follows:

| <u>Minimum Full-Time Employment Requirements</u>   | <u>(New / Retained Full-time Jobs)</u> |
|--|--|
| <b>Tech start ups and manufacturing businesses</b> | <b>10 / 25</b>                         |
| Other targeted industries                          | 25 / 35                                |
| All other businesses/industries                    | 35 / 50                                |

*Minimum employment numbers are reduced by 1/4 in GSGZs and in eight South Jersey counties: Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean and Salem*

As an Industrial - New Construction Project and an Industrial - Rehabilitation Project, for a manufacturing business in Gloucester County, this project has been deemed eligible for a Grow New Jersey award based upon these criteria, outlined in the table below:

| <b>Eligibility</b>                  | <b>Minimum Requirement</b> | <b>Proposed by Applicant</b> |
|-------------------------------------|----------------------------|------------------------------|
| Capital Investment (Progress Court) | \$9,775,000                | \$55,195,542                 |
| Capital Investment (Heron Drive)    | \$2,000,000                | \$2,000,000                  |
| New Jobs                            | 8                          | 125                          |
| Retained Jobs                       | 19                         | 176                          |

The Grow New Jersey Statute and the program's rules also establish criteria for the Grant Calculation for **New Full-Time Jobs**. This project has been deemed eligible for a Base Award and Increases based on the following:

| <b>Base Grant</b>                                    | <b>Requirement</b>  | <b>Proposed by Applicant</b>   |
|--|---|--|
| Mega Project   | Base award of \$5,000 per year for projects designated as a Mega Project  | A Qualified Business Facility located in a Priority Area that qualifies as a Mega Project by virtue of being in a Port District for a business in the manufacturing industry having either capital investment in excess of \$20,000,000 and more than 250 full-time employees created or retained or having more than 1,000 employees created or retained. |
| <b>Increase(s) Criteria</b>                          |   |  |
| Large Number of New/Retained Full-Time Jobs          | An increase of \$500 per job for 251-400 new or retained jobs, \$750 per job for 401-600 new or retained jobs, \$1,000 for 601-800 new or retained jobs, \$1,250 for 801-1,000 new or retained jobs and \$1,500 for more than 1,000 new or retained jobs    | The applicant is proposing to create/retain 301 Full-Time Jobs at the project location resulting in an increase of \$500.  |
| Targeted Industry                                    | An increase of \$500 per job for a business in a Targeted Industry of Transportation, Manufacturing, Defense, Energy, Logistics, Life Sciences, Technology, Health, or Finance excluding a primarily warehouse, distribution or fulfillment center business | The applicant is a Manufacturing business.   |
| Mega/GSGZ Ind. Project w/ Cap. Inv. In Excess of Min | An increase of \$1,000 per job for a Mega Project or a project located in a Garden State Growth Zone for each   | The proposed project is a Mega Project. The proposed capital investment of \$57,195,542 is 385% above  |

|  |   |  |
|--|---|--|
|  | additional amount of capital investment in an industrial premises that exceeds the minimum amount required for eligibility by 20%, with a maximum increase of \$5,000 | the minimum capital investment resulting in an increase of \$5,000 per year. |
|--|---|--|

The Grow New Jersey Statute and the program’s rules establish a Grant Calculation for **Retained Full-Time Jobs**. The Grant Calculation for Retained Full-Time Jobs for this project will be based upon the following:

| PROJECT TYPE   | GRANT CALCULATION   |
|--|---|
| Project located in a Garden State Growth Zone  | The Retained Full-Time Jobs will receive the same Grant Calculation as New Full-Time Jobs as shown above subject to the same per employee limits.   |
| A Mega Project which is the U.S. headquarters of an automobile manufacturer located in a priority area   | The Retained Full-Time Jobs will receive the same Grant Calculation as New Full-Time Jobs as shown above subject to the same per employee limits.   |
| The Qualified Business Facility is replacing a facility that has been wholly or substantially damaged as a result of a federally declared disaster | The Retained Full-Time Jobs will receive the same Grant Calculation as New Full-Time Jobs as shown above subject to the same per employee limits.   |
| <b>All other projects</b>  | <p>The Retained Full-Time Jobs will receive the lesser of:</p> <ul style="list-style-type: none"> <li>- <b>½ of the Grant Calculation for New Full-Time Jobs (1/2 * \$11,000 = \$5,500)</b> or</li> <li>- The estimated eligible Capital Investment divided by 10 divided by the total New and Retained Full-Time Jobs (<math>\\$57,195,542 / 10 / (125 + 176) = \\$19,001</math>)</li> </ul> <p>In the event that upon completion a project has a lower actual Grant Calculation for New Full-Time Jobs or a lower Capital Investment than was estimated herein, the above calculations will be re-run and the applicant will receive the lesser of the two amounts.</p> |

Grant Calculation**BASE GRANT PER EMPLOYEE:**

|              |         |
|--------------|---------|
| Mega Project | \$5,000 |
|--------------|---------|

**INCREASES PER EMPLOYEE:**

|  |          |
|--|----------|
| Large Number of New/Retained F/T Jobs:           | \$ 500   |
| Targeted Industry (Manufacturing):               | \$ 500   |
| Mega Ind. Project w/ Cap. Inv. In Excess of Min: | \$ 5,000 |

**INCREASE PER EMPLOYEE:**

|                |
|----------------|
| <u>\$6,000</u> |
|----------------|

**PER EMPLOYEE LIMIT:**

|              |          |
|--------------|----------|
| Mega Project | \$15,000 |
|--------------|----------|

**LESSER OF BASE + INCREASES OR PER EMPLOYEE LIMIT:**

|          |
|----------|
| \$11,000 |
|----------|

**AWARD:**

|                |                              |                   |
|----------------|------------------------------|-------------------|
| New Jobs:      | 125 Jobs X \$11,000 X 100% = | \$1,375,000       |
| Retained Jobs: | 176 Jobs X \$11,000 X 50% =  | <u>\$ 968,000</u> |

|               |                    |
|---------------|--------------------|
| <b>Total:</b> | <b>\$2,343,000</b> |
|---------------|--------------------|

**ANNUAL LIMITS:**

|              |              |
|--------------|--------------|
| Mega Project | \$30,000,000 |
|--------------|--------------|

**TOTAL ANNUAL AWARD**

|                           |
|---------------------------|
| <b><u>\$2,343,000</u></b> |
|---------------------------|

|   |                               |
|---|-------------------------------|
| <b>ESTIMATED ELIGIBLE CAPITAL INVESTMENT:</b> | \$55,195,542 (Progress Court) |
| <b>ESTIMATED ELIGIBLE CAPITAL INVESTMENT:</b> | \$2,000,000 (Heron Drive)     |
| <b>EXPECTED PROJECT COMPLETION:</b>           | September 10, 2018            |
| <b>NEW FULL-TIME JOBS:</b>                    | 125                           |
| <b>RETAINED FULL-TIME JOBS:</b>               | 176                           |

|  |                                  |
|--|----------------------------------|
| <b>GROSS BENEFIT TO THE STATE (OVER 20 YEARS, PRIOR TO AWARD):</b> | \$166,392,718                    |
| <b>NET BENEFIT TO THE STATE (OVER 20 YEARS, NET OF AWARD):</b>     | \$142,962,718                    |
| <b>TOTAL AMOUNT OF AWARD:</b>                                      | \$ 23,430,000                    |
| <b>ELIGIBILITY PERIOD:</b>   | 10 years                         |
| <b>MEDIAN WAGES:</b>   | \$ 70,231                        |
| <b>SIZE OF PROJECT LOCATION:</b>                                   | 244,375 sq. ft. (Progress Court) |
| <b>SIZE OF PROJECT LOCATION:</b>                                   | 150,000 sq. ft. (Heron Drive)    |
| <b>NEW BUILDING OR EXISTING LOCATION?</b>                          | New (Progress Court)             |
| <b>NEW BUILDING OR EXISTING LOCATION?</b>                          | Existing (Heron Drive)           |
| <b>INDUSTRIAL OR NON-INDUSTRIAL FACILITY?</b>                      | Industrial                       |
| <b>CITY FROM WHICH JOBS WILL BE RELOCATED IN NEW JERSEY:</b>       | Logan Twp.                       |
| <b>STATEWIDE BASE EMPLOYMENT:</b>                                  | 176                              |
| <b>PROJECT IS:</b> (X) Expansion                                   | (X) Relocation                   |
| <b>CONSTRUCTION:</b> (X) Yes                                       | ( ) No                           |

#### CONDITIONS OF APPROVAL:

1. Applicant has not entered into a lease, purchase contract, or otherwise committed to remain in New Jersey.
2. Applicant will make an eligible capital investment of no less than the Statutory minimum after board approval, but no later than 3 years from Board approval.
3. No employees that are subject to a BEIP, BRRAG, legacy Grow New Jersey, Urban Transit Hub or other NJEDA incentive program are eligible for calculating the benefit amount of the Grow New Jersey tax credit.
4. No capital investment that is subject to a BEIP, BRRAG, legacy Grow New Jersey, Urban Transit Hub or other NJEDA incentive program is eligible to be counted toward the capital investment requirement for Grow New Jersey.
5. Within twelve months following approval, the applicant will submit progress information indicating that the business has site plan approval, committed financing for, and site control of the qualified business facility.

#### APPROVAL REQUEST:

The Members of the Authority are asked to: 1) concur with the finding by staff that the jobs in the application are at risk of being located outside New Jersey on or before December 31, 2017; 2) approve the proposed Grow New Jersey grant to encourage Chelten House Products, Inc. to increase employment in New Jersey. The recommended grant is contingent upon receipt by the Authority of evidence that the company has met certain criteria to substantiate the recommended award. If the criteria met by the company differs from that shown herein, the award amount and the term will be lowered to reflect the award amount that corresponds to the actual criteria that have been met.

**DEVELOPMENT OFFICER:** J. Kenyon

**APPROVAL OFFICER:** T. Wells



**NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY  
PROJECT SUMMARY – GROW NEW JERSEY ASSISTANCE PROGRAM**

As created by statute, the Grow New Jersey Assistance (Grow NJ) Program is available to businesses creating or retaining jobs in New Jersey and making a qualified capital investment at a qualified business facility in a qualified incentive area. Applications to the Grow NJ Program are evaluated to determine eligibility in accordance with P.L. 2013, c. 161 and as amended through the “Economic Opportunity Act of 2014, Part 3,” P.L. 2014, c. 63, based on representations made by applicants to the Authority. Per N.J.S.A. 34:1B-242 et seq./N.J.A.C. 19:31-1 and the program’s rules, applicants must employ a certain number of personnel in retained and/or new full-time jobs at a qualified business facility and make, acquire or lease a capital investment equal to or greater than defined thresholds in order to be eligible for tax credits. In addition to satisfying these statutorily-established job and capital investment requirements, applications undergo a material factor review to verify that the tax credits are material to the project advancing in New Jersey. Applications are also subject to a net benefit analysis to verify that the anticipated revenue resulting from the proposed project will be greater than the incentive amount. Credits are only certified for use annually and proportionally based on actual job performance during that year and an applicant is subject to forfeiture and recapture in event of default.

**APPLICANT:** EMR Eastern LLC and affiliates P41233

|                          |   |             |        |
|--------------------------|---|-------------|--------|
| <b>PROJECT LOCATION:</b> | 5 S. Front Street & Kaighn Avenue               | Camden City | Camden |
|                          | 1251 S. Front Street                            | Camden City | Camden |
|                          | 1423, 1466 and 1484 Ferry Avenue                | Camden City | Camden |
|                          | W.S. S. 3 <sup>rd</sup> 246 No. Ferry Avenue    | Camden City | Camden |
|                          | SW 3 <sup>rd</sup> & Ferry Avenue               | Camden City | Camden |
|                          | ES SO 3 <sup>rd</sup> 90 South Lansdowne Avenue | Camden City | Camden |
|                          | 1257 So. 2 <sup>nd</sup> Street                 | Camden City | Camden |

**GOVERNOR’S INITIATIVES:**

NJ Urban Fund       Edison Innovation Fund       Core       Clean Energy

**APPLICANT BACKGROUND:**

EMR Eastern LLC is a wholly owned subsidiary of EMR (USA Holdings) Inc. which is principally engaged in the business of metal recycling, namely the purchase, processing and sale of ferrous and nonferrous scrap material. The ultimate parent, European Metal Recycling Limited, headquartered in the United Kingdom, has 170 sites and more than 4,500 employees worldwide and is a recycler of obsolete and end-of-life consumer goods and industrial materials including steel, aluminum, copper, stainless steel and plastics. In 2008, EMR purchased Camden Iron & Metal, a business with a hundred year history in Camden, creating Eastern Metal Recycling. EMR operations in NJ currently employ 299 employees, 201 employees in Camden, 71 employees in Bellmawr and 27 additional employees working throughout the State. EMR Eastern LLC was recently created as the parent of several affiliates established in line with the specific purpose of this Grow NJ project. The applicant has demonstrated the financial ability to undertake the project through the support of its parent company.

**MATERIAL FACTOR/NET BENEFIT:**

The proposed project is located in Camden, NJ, a city that ranked 566 out of 566 municipalities in the 2007 New Jersey Municipal Revitalization Index. In recognition of Camden's inability to attract investment, in the New Jersey Economic Opportunity Act, the Legislature declared that Camden and the other Garden State Growth Zones presented significant challenges to development and created incentives unique to Camden and other similarly situated Garden State Growth Zones to overcome these barriers.

The management of EMR Eastern LLC has indicated that the grant of tax credits is a material factor in the company's decision whether or not to locate the project in Camden. The Authority is in receipt of an executed

CEO certification by Joseph Balzano, the CEO of EMR Eastern LLC which states that the Grow New Jersey award is a material factor in the company's decision to make the capital investment and locate the project in Camden. The CEO certification also states that the application has been reviewed and the information submitted and representations contained therein are accurate.

Staff reviewed the project and finds support for management's assertion that the award of tax credits is a material factor in the company's decision to locate in Camden. If EMR Eastern LLC chooses the Camden option, the company would establish a Recovery, Reuse & Recycling Campus and headquarters in Camden. The proposed campus consists of seven (7) new buildings for the vertically integrated scrap metal procurement and handling facility, an advanced metals recovery facility and headquarters plus seven (7) existing buildings used for the existing non-ferrous recovery operation, all which will be on six blocks that are contiguous to each other. For purposes of the Grow NJ program, all the proposed buildings are within the same geographical location. In addition to the new full-time jobs and the retained jobs new to Camden, 94 existing Camden jobs are located at the qualified business facility. The alternative to Camden is to complete the project in New Orleans, LA, where the company already has some of these operations.

This project represents a significant positive step forward for Camden's redevelopment efforts, bringing a Recovery, Reuse & Recycling Campus, including a headquarters facility in a complex of buildings that are part of the same financing plan and operational plan to the city. It is estimated that the project would have a net benefit to the State of \$17 million over the 35 year period required by the Statute.

#### **FINDING OF JOBS AT RISK:**

The applicant has certified that the 156 New Jersey jobs listed in the application are at risk of being located outside the State. This certification coupled with the economic analysis of the potential locations submitted to the Authority has allowed staff to make a finding that the award of the Grow New Jersey tax credits is a material factor in the applicant's decision to make a capital investment and locate in Camden.

#### **ELIGIBILITY AND GRANT CALCULATION:**

Per the Grow New Jersey statute, N.J.S.A. 34:1B-242 et seq. and the program's rules, N.J.A.C. 19:31-18, to qualify as a capital investment alternative project, the applicant must meet the capital investment alternative criteria as well as the program eligibility criteria. As a project under the capital investment alternative, the eligibility is considered in the aggregate. To be considered in the aggregate, the project is evaluated as a new construction because it contains a mix of new and existing buildings, with the majority of the square footage of the buildings being new. To meet the program eligibility criteria, the applicant must:

- Make, acquire, or lease a capital investment equal to, or greater than, the minimum capital investment, as follows:

| Minimum Capital Investment Requirements                                   | (\$/Square Foot<br>of Gross Leasable Area) |
|---|--|
| Industrial/Warehouse/Logistics/R&D - Rehabilitation Projects              | \$ 20                                      |
| <b>Industrial/Warehouse/Logistics/R&amp;D - New Construction Projects</b> | <b>\$ 60</b>                               |
| Non-Industrial/Warehouse/Logistics/R&D – Rehabilitation Projects          | \$ 40                                      |
| Non-Industrial/Warehouse/Logistics/R&D – New Construction Projects        | \$120                                      |

*Minimum capital investment amounts are reduced by 1/3 in GSGZs and in eight South Jersey counties: Atlantic, Burlington, **Camden**, Cape May, Cumberland, Gloucester, Ocean and Salem*

- Retain full-time jobs **AND/OR** create new full-time jobs in an amount equal to or greater than the applicable minimum, as follows:

**Minimum Full-Time Employment Requirements (New / Retained Full-time Jobs)**

|   |                |
|---|----------------|
| Tech start ups and manufacturing businesses | 10 / 25        |
| Other targeted Industries                   | 25 / 35        |
| <b>All other businesses/industries</b>      | <b>35 / 50</b> |

*Minimum employment numbers are reduced by 1/4 in GSGZs and in eight South Jersey counties: Atlantic, Burlington, **Camden**, Cape May, Cumberland, Gloucester, Ocean and Salem*

As an Industrial - New Construction Project for an other business in Camden County, this project has been deemed eligible for a Grow New Jersey award based upon these criteria, outlined in the table below:

| <b>Eligibility</b>          | <b>Minimum Requirement</b> | <b>Proposed by Applicant</b> |
|-----------------------------|----------------------------|------------------------------|
| Capital Investment          | \$27,534,400               | \$252,750,000                |
| New Jobs                    | 27                         | 285                          |
| Retained Jobs New to Camden | 38                         | 62                           |

The Grow New Jersey Statute and the program's rules also establish criteria for the Grant Calculation. Projects located in Camden are eligible to receive per employee as a tax credit the total amount of capital investment for the project divided by the number of employees, subject to the following limits, provided that the project represents a net positive benefit to the State:

| <b>New or Retained Jobs<br/>New to Camden</b> | <b>Capital Investment</b> | <b>Maximum Annual Tax<br/>Credit</b> | <b>Limit on Total Tax<br/>Credit</b> |
|---|---------------------------|--------------------------------------|--------------------------------------|
| ≥35   | \$5,000,000               | \$2,000,000                          | \$20,000,000                         |
| ≥70   | \$10,000,000              | \$3,000,000                          | \$30,000,000                         |
| ≥100  | \$15,000,000              | \$4,000,000                          | \$40,000,000                         |
| ≥150  | \$20,000,000              | \$5,000,000                          | \$50,000,000                         |
| <b>≥250</b>                                   | <b>\$30,000,000</b>       | <b>\$35,000,000</b>                  | <b>\$350,000,000</b>                 |

Provided the company complies with all other program requirements, a reduction in the number of new or retained full-time jobs indicated in the company's annual report below the number certified in the initial CPA certification shall proportionately reduce the amount of tax credits the company may apply against liability in the relevant tax period. Also, if the number of new and retained full-time jobs, as indicated by the company's annual report, is reduced below the required number in the table above, the tax credits that the business may take shall be subject to the annual limit corresponding to the new and retained jobs new to Camden.

|   |                    |
|---|--------------------|
| <b>ESTIMATED ELIGIBLE CAPITAL INVESTMENT:</b>                     | \$ 252,750,000     |
| <b>EXPECTED PROJECT COMPLETION:</b>                               | September 18, 2018 |
| <b>NEW FULL-TIME JOBS:</b>  | 285                |
| <b>RETAINED FULL-TIME JOBS NEW TO CAMDEN:</b>                     | 62                 |
| <b>MAXIMUM AWARD PER NEW/RETAINED JOB NEW TO CAMDEN:</b>          | \$ 728,386         |
| <b>GROSS BENEFIT TO THE STATE (OVER 35 YEARS, PRIOR TO AWARD)</b> | \$ 270,182,313     |
| <b>NET BENEFIT TO THE STATE (OVER 35 YEARS, NET OF AWARD):</b>    | \$ 17,432,313      |
| <b>TOTAL AMOUNT OF AWARD:</b>                                     | \$ 252,750,000     |
| <b>TERM:</b>  | 10 years           |
| <b>MEDIAN WAGES:</b>  | \$ 52,000          |

**SIZE OF PROJECT LOCATION:** 688,360  
**NEW CONSTRUCTION OR EXISTING FACILITY?** New  
**INDUSTRIAL OR NON-INDUSTRIAL PREMISES?** Industrial  
**CITY FROM WHICH JOBS WILL BE RELOCATED IN NEW JERSEY:** Bellmawr/Camden  
**STATEWIDE BASE EMPLOYMENT:** 299  
**PROJECT IS:** (X) Expansion (X) Relocation  
**CONSTRUCTION:** (X) Yes ( ) No

**CONDITIONS OF APPROVAL:**

1. Applicant has not entered into a lease, purchase contract, or otherwise committed to remain in New Jersey.
2. Applicant will make an eligible capital investment of no less than the Statutory minimum after board approval, but no later than 3 years from Board approval.
3. No employees that are subject to a BEIP, BRRAG, legacy Grow New Jersey, Urban Transit Hub or other NJEDA incentive program are eligible for calculating the benefit amount of the Grow New Jersey tax credit.
4. No capital investment that is subject to a BEIP, BRRAG, legacy Grow New Jersey, Urban Transit Hub or other NJEDA incentive program is eligible to be counted toward the capital investment requirement for Grow New Jersey.
5. Within twelve months following approval, the applicant will submit progress information indicating that the business has site plan approval, committed financing for, and site control of the qualified business facility.
6. The applicant will maintain the 94 existing positions at the project site for the duration of the Grow NJ award. The number of positions that are part of this Grow NJ award will only be counted above and beyond the first 94 positions at the project site.
7. Due to the Net Benefit to the State exceeding the minimum Net Benefit required for a Grow NJ award by 10% or less, the Net Benefit to the State will be recalculated if the CPA certification shows a 10% or more reduction of the number of eligible jobs, capital investment, or payroll from the amounts approved by the Board. If the Net Benefit analysis does not support awarding a tax credit for the entire amount of the capital investment, then the amount of the award will be reduced accordingly.

**APPROVAL REQUEST:**

The Members of the Authority are asked to: 1) concur with the finding by staff that the award of the Grow New Jersey tax credits is a material factor in the applicant's decision to make a capital investment and locate in Camden; 2) approve the proposed Grow New Jersey grant to encourage EMR Eastern LLC and affiliates to locate in Camden. The recommended grant is contingent upon receipt by the Authority of evidence that the company has met certain criteria to substantiate the recommended award. If the criteria met by the company differs from that shown herein, the award amount and the term will be lowered to reflect the award amount that corresponds to the actual criteria that have been met.

**DEVELOPMENT OFFICER:** J. Kenyon**APPROVAL OFFICER:** T. Wells

**NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY  
PROJECT SUMMARY – GROW NEW JERSEY ASSISTANCE PROGRAM**

As created by statute, the Grow New Jersey Assistance (Grow NJ) Program is available to businesses creating or retaining jobs in New Jersey and making a qualified capital investment at a qualified business facility in a qualified incentive area. Applications to the Grow NJ Program are evaluated to determine eligibility in accordance with P.L. 2013, c. 161 and as amended through the “Economic Opportunity Act of 2014, Part 3,” P.L. 2014, c. 63, based on representations made by applicants to the Authority. Per N.J.S.A. 34:1B-242 et seq./N.J.A.C. 19:31-1 and the program’s rules, applicants must employ a certain number of personnel in retained and/or new full-time jobs at a qualified business facility and make, acquire or lease a capital investment equal to or greater than defined thresholds in order to be eligible for tax credits. In addition to satisfying these statutorily-established job and capital investment requirements, applications undergo a material factor review to verify that the tax credits are material to the project advancing in New Jersey. Applications are also subject to a net benefit analysis to verify that the anticipated revenue resulting from the proposed project will be greater than the incentive amount. Credits are only certified for use annually and proportionally based on actual job performance during that year and an applicant is subject to forfeiture and recapture in event of default.

**APPLICANT:** Hudson Group (HG) Retail, LLC P40422

**PROJECT LOCATION:** One Meadowlands Plaza, East Rutherford Borough Bergen County  
Floors 6, 9 and 11

**GOVERNOR’S INITIATIVES:**

NJ Urban Fund       Edison Innovation Fund       Core       Clean Energy

**APPLICANT BACKGROUND:**

Hudson Group (HG) Retail, LLC (“Hudson Group” or "HG") is one of the world's leading travel retail companies in the United States and Canada. HG operates mostly out of airports and commuter locations throughout the US and Canada and operates approximately 700 stores, 650 of which are in 70 airports. Products sold include newspapers, magazines, books, souvenirs and travel guides, as well as convenience food and beverage items. The company traces its origins back to 1918, when the Cohen family first began distributing newspapers in New York and New Jersey under the name, the Bayonne News Company. The Hudson News Company was incorporated in 1926, and the Hudson Group Retail Division was formed in 1987. In 2008, Dufry AG purchased Hudson Group (HG) Retail, LLC, and its current corporate structure was then established. The applicant has demonstrated the financial ability to undertake the project.

**MATERIAL FACTOR/NET BENEFIT:**

Hudson Group has been evaluating real estate options for a new headquarters commensurate with the company's enhanced corporate image and with space to accommodate continued employment growth. Over the last two years, HG has identified three potential locations that were considered front-runner candidates, two of which were located in New Jersey, (150 Clove Rd., in Little Falls and more recently 101 Hudson in Jersey City) neither of which met corporate expectations. HG’s first option remains unchanged at Blue Hill Plaza in Pearl River, NY.

HG is closely examining the economics of a lease proposal for 93,308 SF at One Meadowlands Plaza, an additional 32,000 SF in its current building. HG's current HQ operations comprise 214 full-time employees and 18 additional IT contract employees, which are planned to be converted to direct employees. Additional growth over the next 3 years is anticipated to be an additional 32 employees, for a total of 50 new direct jobs. Major headquarters operating units are: finance, human resources, merchandising, operations and IT.

The location analysis submitted to the Authority shows New Jersey to be the more expensive option and, as a result, the management of Hudson Group (HG) Retail, LLC has indicated that the grant of tax credits is a

material factor in the company’s location decision. The Authority is in receipt of an executed CEO certification by Joseph D. Domizio, the CEO of Hudson Group (HG) Retail, LLC, that states that the application has been reviewed and the information submitted and representations contained therein are accurate and that, but for the Grow New Jersey award, the creation and/or retention of jobs would not occur. It is estimated that the project would have a net benefit to the State of \$57.4 million over the 20 year period required by the Statute.

**FINDING OF JOBS AT RISK:**

The applicant has certified that the 214 New Jersey jobs listed in the application are at risk of being located outside the State on or before April 1, 2016, the date by which HG expects that it would be able to relocate to the alternate location. This certification coupled with the economic analysis of the potential locations submitted to the Authority has allowed staff to make a finding that the jobs listed in the application are at risk of being located outside of New Jersey.

**ELIGIBILITY AND GRANT CALCULATION:**

Per the Grow New Jersey statute, N.J.S.A. 34:1B-242 et seq. and the program’s rules, N.J.A.C. 19:31-18, the applicant must:

- Make, acquire, or lease a capital investment equal to, or greater than, the minimum capital investment, as follows:

| <u>Minimum Capital Investment Requirements</u>  | (\$/Square Foot<br>of Gross Leasable Area) |
|---|--|
| Industrial/Warehouse/Logistics/R&D - Rehabilitation Projects  | \$ 20                                      |
| Industrial/Warehouse/Logistics/R&D - New Construction Projects  | \$ 60                                      |
| <b>Non-Industrial/Warehouse/Logistics/R&amp;D – Rehabilitation Projects</b>   | <b>\$ 40</b>                               |
| Non-Industrial/Warehouse/Logistics/R&D – New Construction Projects  | \$120                                      |
| <i>Minimum capital investment amounts are reduced by 1/3 in GSGZs and in eight South Jersey counties: Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean and Salem</i> |  |

- Retain full-time jobs **AND/OR** create new full-time jobs in an amount equal to or greater than the applicable minimum, as follows:

| <u>Minimum Full-Time Employment Requirements</u>  | (New / Retained Full-time Jobs) |
|---|---------------------------------|
| Tech start ups and manufacturing businesses   | 10 / 25                         |
| Other targeted industries   | 25 / 35                         |
| <b>All other businesses/industries</b>  | <b>35 / 50</b>                  |
| <i>Minimum employment numbers are reduced by 1/4 in GSGZs and in eight South Jersey counties: Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean and Salem</i> |                                 |

As an Non-Industrial/Warehouse/Logistics/R&D – Rehabilitation Project, for an other targeted industry business in Bergen County, this project has been deemed eligible for a Grow New Jersey award based upon these criteria, outlined in the table below:

| <b>Eligibility</b> | <b>Minimum Requirement</b> | <b>Proposed by Applicant</b> |
|--------------------|----------------------------|------------------------------|
| Capital Investment | \$3,732,320                | \$6,052,790                  |
| New Jobs           | 35                         | 50                           |
| Retained Jobs      | 50                         | 214                          |

The Grow New Jersey Statute and the program’s rules also establish criteria for the Grant Calculation for **New Full-Time Jobs**. This project has been deemed eligible for a Base Award and Increases based on the following:

| <b>Base Grant</b>                           | <b>Requirement</b>   | <b>Proposed by Applicant</b>  |
|---|--|---|
| Priority Area                               | Base award of \$3,000 per year for projects located in a designated Priority Area  | East Rutherford is a designated Priority Area   |
| <b>Increase(s) Criteria</b>                 |  |   |
| Large Number of New/Retained Full-Time Jobs | An increase of \$500 per job for 251-400 new or retained jobs, \$750 per job for 401-600 new or retained jobs, \$1,000 for 601-800 new or retained jobs, \$1,250 for 801-1,000 new or retained jobs and \$1,500 for more than 1,000 new or retained jobs | The applicant is proposing to create/retain 264 Full-Time Jobs at the project location resulting in an increase of \$500. |

The Grow New Jersey Statute and the program’s rules establish a Grant Calculation for **Retained Full-Time Jobs**. The Grant Calculation for Retained Full-Time Jobs for this project will be based upon the following:

| <b>PROJECT TYPE</b>  | <b>GRANT CALCULATION</b>  |
|--|---|
| Project located in a Garden State Growth Zone  | The Retained Full-Time Jobs will receive the same Grant Calculation as New Full-Time Jobs as shown above subject to the same per employee limits.   |
| A Mega Project which is the U.S. headquarters of an automobile manufacturer located in a priority area   | The Retained Full-Time Jobs will receive the same Grant Calculation as New Full-Time Jobs as shown above subject to the same per employee limits.   |
| The Qualified Business Facility is replacing a facility that has been wholly or substantially damaged as a result of a federally declared disaster | The Retained Full-Time Jobs will receive the same Grant Calculation as New Full-Time Jobs as shown above subject to the same per employee limits.   |
| All other projects   | <p>The Retained Full-Time Jobs will receive the lesser of:</p> <ul style="list-style-type: none"> <li>- <b>½ of the Grant Calculation for New Full-Time Jobs (1/2 * \$3,500 = \$1,750)</b> or</li> <li>- The estimated eligible Capital Investment divided by 10 divided by the total New and Retained Full-Time Jobs (<math>\\$6,052,790 / 10 / (50 + 214) = \\$2,292</math>)</li> </ul> <p>In the event that upon completion a project has a lower actual Grant Calculation for New Full-Time Jobs or a lower Capital Investment than was estimated herein, the above calculations will be re-run and the applicant will receive the lesser of the two amounts.</p> |

Grant Calculation**BASE GRANT PER EMPLOYEE:**

|               |         |
|---------------|---------|
| Priority Area | \$3,000 |
|---------------|---------|

**INCREASES PER EMPLOYEE:**

|  |        |
|--|--------|
| Large Number of New/Retained F/T Jobs: | \$ 500 |
|--|--------|

|                               |               |
|-------------------------------|---------------|
| <b>INCREASE PER EMPLOYEE:</b> | <u>\$ 500</u> |
|-------------------------------|---------------|

**PER EMPLOYEE LIMIT:**

|               |          |
|---------------|----------|
| Priority Area | \$10,500 |
|---------------|----------|

|  |                |
|--|----------------|
| <b>LESSER OF BASE + INCREASES OR PER EMPLOYEE LIMIT:</b> | <b>\$3,500</b> |
|--|----------------|

**AWARD:**

|           |                            |           |
|-----------|----------------------------|-----------|
| New Jobs: | 50 Jobs X \$3,500 X 100% = | \$175,000 |
|-----------|----------------------------|-----------|

|                |                            |                  |
|----------------|----------------------------|------------------|
| Retained Jobs: | 214 Jobs X \$3,500 X 50% = | <u>\$374,500</u> |
|----------------|----------------------------|------------------|

|               |                  |
|---------------|------------------|
| <b>Total:</b> | <b>\$549,500</b> |
|---------------|------------------|

**ANNUAL LIMITS:**

|  |                          |
|--|--------------------------|
| Priority Area (Est. 90% Withholding Limit) | \$ 4,000,000/(\$923,864) |
|--|--------------------------|

|                           |                  |
|---------------------------|------------------|
| <b>TOTAL ANNUAL AWARD</b> | <b>\$549,500</b> |
|---------------------------|------------------|



|   |    |               |
|---|----|---------------|
| <b>ESTIMATED ELIGIBLE CAPITAL INVESTMENT:</b> | \$ | 6,052,790     |
| <b>EXPECTED PROJECT COMPLETION:</b>           |    | April 1, 2016 |
| <b>NEW FULL-TIME JOBS:</b>                    |    | 50            |
| <b>RETAINED FULL-TIME JOBS:</b>               |    | 214           |

|   |     |                 |
|---|-----|-----------------|
| <b>GROSS BENEFIT TO THE STATE (OVER 20 YEARS, PRIOR TO AWARD):</b>          | \$  | 62,863,915      |
| <b>NET BENEFIT TO THE STATE (OVER 20 YEARS, NET OF AWARD):</b>              | \$  | 57,368,915      |
| <b>TOTAL AMOUNT OF AWARD (CAPPED ANNUALLY AT<br/>90% OF WHITHHOLDINGS):</b> | \$  | 5,495,000       |
| <b>ELIGIBILITY PERIOD:</b>  |     | 10 years        |
| <b>MEDIAN WAGES:</b>  | \$  | 74,014          |
| <b>SIZE OF PROJECT LOCATION:</b>  |     | 93,308sq. ft.   |
| <b>NEW BUILDING OR EXISTING LOCATION?</b>                                   |     | Existing        |
| <b>INDUSTRIAL OR NON-INDUSTRIAL FACILITY?</b>                               |     | Non-Industrial  |
| <b>CITY FROM WHICH JOBS WILL BE RELOCATED IN NEW JERSEY:</b>                |     | East Rutherford |
| <b>STATEWIDE BASE EMPLOYMENT:</b>   |     | 214             |
| <b>PROJECT IS:</b> (X) Expansion  | ( ) | Relocation      |
| <b>CONSTRUCTION:</b> (X) Yes  | ( ) | No              |

**CONDITIONS OF APPROVAL:**

1. Applicant has not entered into a lease, purchase contract, or otherwise committed to remain in New Jersey.
2. Applicant will make an eligible capital investment of no less than the Statutory minimum after board approval, but no later than 3 years from Board approval.
3. No employees that are subject to a BEIP, BRRAG, legacy Grow New Jersey, Urban Transit Hub or other NJEDA incentive program are eligible for calculating the benefit amount of the Grow New Jersey tax credit.
4. No capital investment that is subject to a BEIP, BRRAG, legacy Grow New Jersey, Urban Transit Hub or other NJEDA incentive program is eligible to be counted toward the capital investment requirement for Grow New Jersey.
5. Within six months following approval, the applicant will submit progress information indicating that the business has site plan approval, committed financing for, and site control of the qualified business facility.

**APPROVAL REQUEST:**

The Members of the Authority are asked to: 1) concur with the finding by staff that the jobs in the application are at risk of being located outside New Jersey on or before April 1, 2016; 2) approve the proposed Grow New Jersey grant to encourage Hudson Group Retail, LLC to increase employment in New Jersey. The recommended grant is contingent upon receipt by the Authority of evidence that the company has met certain criteria to substantiate the recommended award. If the criteria met by the company differs from that shown herein, the award amount and the term will be lowered to reflect the award amount that corresponds to the actual criteria that have been met.

**DEVELOPMENT OFFICER:** Mathew Abraham

**APPROVAL OFFICER:** Mark Chierici



**ELIGIBILITY AND GRANT CALCULATION:**

Per the Grow New Jersey statute, N.J.S.A. 34:1B-242 et seq. and the program’s rules, N.J.A.C. 19:31-18, the applicant must:

- Make, acquire, or lease a capital investment equal to, or greater than, the minimum capital investment, as follows:

| <u>Minimum Capital Investment Requirements</u>                              | (\$/Square Foot<br>of Gross Leasable Area) |
|---|--|
| Industrial/Warehouse/Logistics/R&D - Rehabilitation Projects                | \$ 20                                      |
| Industrial/Warehouse/Logistics/R&D - New Construction Projects              | \$ 60                                      |
| <b>Non-Industrial/Warehouse/Logistics/R&amp;D – Rehabilitation Projects</b> | <b>\$ 40</b>                               |
| Non-Industrial/Warehouse/Logistics/R&D – New Construction Projects          | \$120                                      |

*Minimum capital investment amounts are reduced by 1/3 in GSGZs and in eight South Jersey counties: Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean and Salem*

- Retain full-time jobs **AND/OR** create new full-time jobs in an amount equal to or greater than the applicable minimum, as follows:

| <u>Minimum Full-Time Employment Requirements</u> | (New / Retained Full-time Jobs) |
|--|---------------------------------|
| Tech start ups and manufacturing businesses      | 10 / 25                         |
| <b>Other targeted industries</b>                 | <b>25 / 35</b>                  |
| All other businesses/industries                  | 35 / 50                         |

*Minimum employment numbers are reduced by 1/4 in GSGZs and in eight South Jersey counties: Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean and Salem*

As a Non-Industrial/Warehouse/Logistics/R&D – Rehabilitation Project, for an other targeted industry business in Hudson County, this project has been deemed eligible for a Grow New Jersey award based upon these criteria, outlined in the table below:

| <b>Eligibility</b> | <b>Minimum Requirement</b> | <b>Proposed by Applicant</b> |
|--------------------|----------------------------|------------------------------|
| Capital Investment | \$771,000                  | \$1,005,000                  |
| New Jobs           | 25                         | 45                           |
| Retained Jobs      | 35                         | 0                            |

The Grow New Jersey Statute and the program’s rules also establish criteria for the Grant Calculation for **New Full-Time Jobs**. This project has been deemed eligible for a Base Award and Increases based on the following:

| <b>Base Grant</b>              | <b>Requirement</b>   | <b>Proposed by Applicant</b>   |
|--------------------------------|--|--|
| Urban Transit Hub Municipality | Base award of \$5,000 per year for projects located in a designated Urban Transit Hub Municipality | Jersey City is a designated Urban Transit Hub Municipality   |
| <b>Increase(s) Criteria</b>    |  |  |
| Transit Oriented Development   | An increase of \$2,000 per job for a project locating in a Transit Oriented Development            | 1 Evertrust Plaza Jersey City is located in a Transit Oriented Development by virtue of being within ½ mile of the |

|                   |   |  |
|-------------------|---|--|
|                   |   | midpoint of a New Jersey Transit Corporation light rail station. |
| Targeted Industry | An increase of \$500 per job for a business in a Targeted Industry of Transportation, Manufacturing, Defense, Energy, Logistics, Life Sciences, Technology, Health, or Finance excluding a primarily warehouse, distribution or fulfillment center business | The applicant is a Finance business.                             |

The Grow New Jersey Statute and the program’s rules establish a Grant Calculation for **Retained Full-Time Jobs**. The Grant Calculation for Retained Full-Time Jobs for this project will be based upon the following:

| PROJECT TYPE   | GRANT CALCULATION  |
|--|--|
| Project located in a Garden State Growth Zone  | The Retained Full-Time Jobs will receive the same Grant Calculation as New Full-Time Jobs as shown above subject to the same per employee limits.  |
| A Mega Project which is the U.S. headquarters of an automobile manufacturer located in a priority area   | The Retained Full-Time Jobs will receive the same Grant Calculation as New Full-Time Jobs as shown above subject to the same per employee limits.  |
| The Qualified Business Facility is replacing a facility that has been wholly or substantially damaged as a result of a federally declared disaster | The Retained Full-Time Jobs will receive the same Grant Calculation as New Full-Time Jobs as shown above subject to the same per employee limits.  |
| All other projects   | <p>The Retained Full-Time Jobs will receive the lesser of:</p> <ul style="list-style-type: none"> <li>- ½ of the Grant Calculation for New Full-Time Jobs (<math>1/2 * \\$7,500 = \\$3,750</math>) or</li> <li>- <b>The estimated eligible Capital Investment divided by 10 divided by the total New and Retained Full-Time Jobs (<math>\\$1,005,000 / 10 / (45 + 0) = \\$2,233</math>)</b></li> </ul> <p>In the event that upon completion a project has a lower actual Grant Calculation for New Full-Time Jobs or a lower Capital Investment than was estimated herein, the above calculations will be re-run and the applicant will receive the lesser of the two amounts.</p> |

Grant Calculation**BASE GRANT PER EMPLOYEE:**

|                                |         |
|--------------------------------|---------|
| Urban Transit HUB Municipality | \$5,000 |
|--------------------------------|---------|

**INCREASES PER EMPLOYEE:**

|                               |          |
|-------------------------------|----------|
| Transit Oriented Development: | \$ 2,000 |
| Targeted Industry (Finance):  | \$ 500   |

|                               |                |
|-------------------------------|----------------|
| <b>INCREASE PER EMPLOYEE:</b> | <u>\$2,500</u> |
|-------------------------------|----------------|

**PER EMPLOYEE LIMIT:**

|                                |          |
|--------------------------------|----------|
| Urban Transit HUB Municipality | \$12,000 |
|--------------------------------|----------|

|  |         |
|--|---------|
| <b>LESSER OF BASE + INCREASES OR PER EMPLOYEE LIMIT:</b> | \$7,500 |
|--|---------|

**AWARD:**

|                |                            |                |
|----------------|----------------------------|----------------|
| New Jobs:      | 45 Jobs X \$7,500 X 100% = | \$337,500      |
| Retained Jobs: | 0 Jobs X \$2,233 X 100% =  | <u>\$0,000</u> |

|               |                  |
|---------------|------------------|
| <b>Total:</b> | <b>\$337,500</b> |
|---------------|------------------|

**ANNUAL LIMITS:**

|                                |              |
|--------------------------------|--------------|
| Urban Transit HUB Municipality | \$10,000,000 |
|--------------------------------|--------------|

|                           |                         |
|---------------------------|-------------------------|
| <b>TOTAL ANNUAL AWARD</b> | <u><b>\$337,500</b></u> |
|---------------------------|-------------------------|

|   |                   |
|---|-------------------|
| <b>ESTIMATED ELIGIBLE CAPITAL INVESTMENT:</b> | \$ 1,005,000      |
| <b>EXPECTED PROJECT COMPLETION:</b>           | December 31, 2015 |
| <b>NEW FULL-TIME JOBS:</b>                    | 45                |
| <b>RETAINED FULL-TIME JOBS:</b>               | 0                 |

|  |                |
|--|----------------|
| <b>GROSS BENEFIT TO THE STATE (OVER 20 YEARS, PRIOR TO AWARD):</b> | \$ 26,670,730  |
| <b>NET BENEFIT TO THE STATE (OVER 20 YEARS, NET OF AWARD):</b>     | \$ 23,295,730  |
| <b>TOTAL AMOUNT OF AWARD:</b>                                      | \$ 3,375,000   |
| <b>ELIGIBILITY PERIOD:</b>   | 10 years       |
| <b>MEDIAN WAGES:</b>   | \$ 40,800      |
| <b>SIZE OF PROJECT LOCATION:</b>                                   | 19,275 sq. ft. |
| <b>NEW BUILDING OR EXISTING LOCATION?</b>                          | Existing       |
| <b>INDUSTRIAL OR NON-INDUSTRIAL FACILITY?</b>                      | Non-Industrial |
| <b>CITY FROM WHICH JOBS WILL BE RELOCATED IN NEW JERSEY:</b>       | N/A            |
| <b>STATEWIDE BASE EMPLOYMENT:</b>                                  | 0              |
| <b>PROJECT IS:</b> ( ) Expansion (X) Relocation                    |                |
| <b>CONSTRUCTION:</b> (X) Yes ( ) No                                |                |

**CONDITIONS OF APPROVAL:**

1. Applicant has not entered into a lease, purchase contract, or otherwise committed to remain in New Jersey.
2. Applicant will make an eligible capital investment of no less than the Statutory minimum after board approval, but no later than 3 years from Board approval.
3. No employees that are subject to a BEIP, BRRAG, legacy Grow New Jersey, Urban Transit Hub or other NJEDA incentive program are eligible for calculating the benefit amount of the Grow New Jersey tax credit.
4. No capital investment that is subject to a BEIP, BRRAG, legacy Grow New Jersey, Urban Transit Hub or other NJEDA incentive program is eligible to be counted toward the capital investment requirement for Grow New Jersey.
5. Within six months following approval, the applicant will submit progress information indicating that the business has site plan approval, committed financing for, and site control of the qualified business facility.

**APPROVAL REQUEST:**

The Members of the Authority are asked to approve the proposed Grow New Jersey grant to encourage Yellowstone Capital, LLC to increase employment in New Jersey. The recommended grant is contingent upon receipt by the Authority of evidence that the company has met certain criteria to substantiate the recommended award. If the criteria met by the company differs from that shown herein, the award amount and the term will be lowered to reflect the award amount that corresponds to the actual criteria that have been met.

**DEVELOPMENT OFFICER:** Diane Ubinger

**APPROVAL OFFICER:** Mark Chierici

**NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY  
PROJECT SUMMARY – GROW NEW JERSEY ASSISTANCE PROGRAM**

As created by statute, the Grow New Jersey Assistance (Grow NJ) Program is available to businesses creating or retaining jobs in New Jersey and making a qualified capital investment at a qualified business facility in a qualified incentive area. Applications to the Grow NJ Program are evaluated to determine eligibility in accordance with P.L. 2013, c. 161 and as amended through the “Economic Opportunity Act of 2014, Part 3,” P.L. 2014, c. 63, based on representations made by applicants to the Authority. Per N.J.S.A. 34:1B-242 et seq./N.J.A.C. 19:31-1 and the program’s rules, applicants must employ a certain number of personnel in retained and/or new full-time jobs at a qualified business facility and make, acquire or lease a capital investment equal to or greater than defined thresholds in order to be eligible for tax credits. In addition to satisfying these statutorily-established job and capital investment requirements, applications undergo a material factor review to verify that the tax credits are material to the project advancing in New Jersey. Applications are also subject to a net benefit analysis to verify that the anticipated revenue resulting from the proposed project will be greater than the incentive amount. Credits are only certified for use annually and proportionally based on actual job performance during that year and an applicant is subject to forfeiture and recapture in event of default.

**APPLICANT:**                    B Positive National Blood Services, LLC and Affiliates                    P41251

**PROJECT LOCATION:** Route 47 and William-Dalton Drive      Glassboro Borough      Gloucester County

**GOVERNOR’S INITIATIVES:**

NJ Urban Fund             Edison Innovation Fund             Core             Clean Energy

**APPLICANT BACKGROUND:**

B Positive National Blood Services, LLC, formed in 2010, is a life sciences firm that provides source plasma to the pharmaceutical industry. The applicant is FDA approved to collect plasma from pre-screened individuals through the process of plasmapheresis, in which whole blood is removed from the body, blood cells and plasma are separated, and the blood cells are then returned to the body. The individuals from whom the applicant collects plasma are compensated by the applicant. Once collected, the plasma is tested, stored and frozen in order to preserve it for eventual use in the manufacture of a variety of medications. Currently, the company leases space in a commercial office building located in Cherry Hill, NJ. The applicant has formed a wholly owned subsidiary, B Positive National Blood Services – Glassboro, LLC, to undertake the project in NJ, should the applicant choose to locate in the State. The applicant has demonstrated the financial ability to undertake the project.

**MATERIAL FACTOR/NET BENEFIT:**

The applicant is seeking to expand its operations to in order to increase its potential collection population base. Currently, the applicant is considering locating in either an 11,978 SF space in Glassboro, NJ or a 10,000 SF location in Trevoze, PA. At the selected project site, the applicant will create 65 new full-time jobs and renovate the space in accordance with FDA standards for a plasma collection site. Both facilities are existing, vacant spaces within commercial shopping centers, which the applicant anticipates will provide greater access to its targeted potential collection population. While renovation costs would be similar at either location, the NJ space would command a higher lease rate. If the applicant chooses to locate in NJ it will also incur higher payroll expenses due to a State requirement of a more advanced nursing certification for approximately 12 employees, due to their job functions.

The location analysis submitted to the Authority shows New Jersey to be the more expensive option and, as a result, the management of B Positive National Blood Services, LLC has indicated that the grant of tax credits is a material factor in the company’s location decision. The Authority is in receipt of an executed CEO certification by Benjamin Ruder, the CEO of B Positive National Blood Services, LLC, that states that the

application has been reviewed and the information submitted and representations contained therein are accurate and that, but for the Grow New Jersey award, the creation and/or retention of jobs would not occur. It is estimated that the project would have a net benefit to the State of \$3,987,628 over the 20 year period required by the Statute.

**ELIGIBILITY AND GRANT CALCULATION:**

Per the Grow New Jersey statute, N.J.S.A. 34:1B-242 et seq. and the program’s rules, N.J.A.C. 19:31-18, the applicant must:

- Make, acquire, or lease a capital investment equal to, or greater than, the minimum capital investment, as follows:

| <u>Minimum Capital Investment Requirements</u>  | <u>(\$/Square Foot of Gross Leasable Area)</u> |
|---|--|
| Industrial/Warehouse/Logistics/R&D - Rehabilitation Projects  | \$ 20  |
| Industrial/Warehouse/Logistics/R&D - New Construction Projects  | \$ 60  |
| <b>Non-Industrial/Warehouse/Logistics/R&amp;D – Rehabilitation Projects</b>   | <b>\$ 40</b>                                   |
| Non-Industrial/Warehouse/Logistics/R&D – New Construction Projects  | \$120  |
| <i>Minimum capital investment amounts are reduced by 1/3 in GSGZs and in eight South Jersey counties: Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean and Salem</i> |  |

- Retain full-time jobs **AND/OR** create new full-time jobs in an amount equal to or greater than the applicable minimum, as follows:

| <u>Minimum Full-Time Employment Requirements</u>  | <u>(New / Retained Full-time Jobs)</u> |
|---|--|
| Tech start ups and manufacturing businesses   | 10 / 25                                |
| <b>Other targeted industries</b>  | <b>25 / 35</b>                         |
| All other businesses/industries   | 35 / 50                                |
| <i>Minimum employment numbers are reduced by 1/4 in GSGZs and in eight South Jersey counties: Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean and Salem</i> |  |

As an Non-Industrial/Warehouse/Logistics/R&D – Rehabilitation Project for an other targeted industry business in Gloucester County, this project has been deemed eligible for a Grow New Jersey award based upon these criteria, outlined in the table below:

| <b>Eligibility</b> | <b>Minimum Requirement</b> | <b>Proposed by Applicant</b> |
|--------------------|----------------------------|------------------------------|
| Capital Investment | \$319,414                  | \$1,043,000                  |
| New Jobs           | 19                         | 65                           |
| Retained Jobs      | 27                         | 0                            |

The Grow New Jersey Statute and the program’s rules also establish criteria for the Grant Calculation for **New Full-Time Jobs**. This project has been deemed eligible for a Base Award and Increases based on the following:

| <b>Base Grant</b>       | <b>Requirement</b>  | <b>Proposed by Applicant</b>                              |
|-------------------------|---|---|
| Distressed Municipality | Base award of \$4,000 per year for projects located in a designated Distressed Municipality | Glassboro Borough is a designated Distressed Municipality |



|   |   |  |
|---|---|--|
|   | Municipality  |  |
|   |   |  |
| <b>Increase(s) Criteria</b>   |   |  |
| Targeted Industry   | An increase of \$500 per job for a business in a Targeted Industry of Transportation, Manufacturing, Defense, Energy, Logistics, Life Sciences, Technology, Health, or Finance excluding a primarily warehouse, distribution or fulfillment center business | The applicant is a Life Sciences business.               |
| 2007 Revit. Index > 465 in Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean, Salem | An increase of \$1,000 per job for locating in a municipality with a 2007 Revitalization Index greater than 465   | Glassboro Borough has a 2007 Revitalization Index of 468 |

The Grow New Jersey Statute and the program’s rules establish a Grant Calculation for **Retained Full-Time Jobs**. The Grant Calculation for Retained Full-Time Jobs for this project will be based upon the following:

| <b>PROJECT TYPE</b>  | <b>GRANT CALCULATION</b>   |
|--|--|
| Project located in a Garden State Growth Zone  | The Retained Full-Time Jobs will receive the same Grant Calculation as New Full-Time Jobs as shown above subject to the same per employee limits.  |
| A Mega Project which is the U.S. headquarters of an automobile manufacturer located in a priority area   | The Retained Full-Time Jobs will receive the same Grant Calculation as New Full-Time Jobs as shown above subject to the same per employee limits.  |
| The Qualified Business Facility is replacing a facility that has been wholly or substantially damaged as a result of a federally declared disaster | The Retained Full-Time Jobs will receive the same Grant Calculation as New Full-Time Jobs as shown above subject to the same per employee limits.  |
| <b>All other projects</b>  | <p>The Retained Full-Time Jobs will receive the lesser of:</p> <ul style="list-style-type: none"> <li>- ½ of the Grant Calculation for New Full-Time Jobs (<math>1/2 * \\$5,500 = \\$2,750</math>) or</li> <li>- <b>The estimated eligible Capital Investment divided by 10 divided by the total New and Retained Full-Time Jobs (<math>\\$1,043,000 / 10 / (65 + 0) = \\$1,604</math>)</b></li> </ul> <p>In the event that upon completion a project has a lower actual Grant Calculation for New Full-Time Jobs or a lower Capital Investment than was estimated herein, the above calculations will be re-run and the applicant will receive the lesser of the two amounts.</p> |

**Grant Calculation**

**BASE GRANT PER EMPLOYEE:**

Distressed Municipality \$ 4,000

**INCREASES PER EMPLOYEE:**

Targeted Industry (Life Sciences): \$ 500  
2007 Revit. Index > 465 in Gloucester: \$ 1,000

**INCREASE PER EMPLOYEE:** \$ 1,500

**PER EMPLOYEE LIMIT:**

Distressed Municipality \$11,000

**LESSER OF BASE + INCREASES OR PER EMPLOYEE LIMIT:** \$ 5,500

**AWARD:**

New Jobs: 65 Jobs X \$5,500 X 100% = \$ 357,500  
Retained Jobs: 0 Jobs X \$1,604 X 100% = \$ 0,000

**Total:** \$ **357,500**

**ANNUAL LIMITS:**

Distressed Municipality \$ 8,000,000

**TOTAL ANNUAL AWARD** \$ **357,500**

|   |                  |
|---|------------------|
| <b>ESTIMATED ELIGIBLE CAPITAL INVESTMENT:</b> | \$ 1,043,000     |
| <b>EXPECTED PROJECT COMPLETION:</b>           | October 15, 2015 |
| <b>NEW FULL-TIME JOBS:</b>                    | 65               |
| <b>RETAINED FULL-TIME JOBS:</b>               | 0                |

|  |                |
|--|----------------|
| <b>GROSS BENEFIT TO THE STATE (OVER 20 YEARS, PRIOR TO AWARD):</b> | \$ 7,562,628   |
| <b>NET BENEFIT TO THE STATE (OVER 20 YEARS, NET OF AWARD):</b>     | \$ 3,987,628   |
| <b>TOTAL AMOUNT OF AWARD:</b>                                      | \$ 3,575,000   |
| <b>ELIGIBILITY PERIOD:</b>   | 10 years       |
| <b>MEDIAN WAGES:</b>   | \$ 25,000      |
| <b>SIZE OF PROJECT LOCATION:</b>                                   | 11,978 sq. ft. |
| <b>NEW BUILDING OR EXISTING LOCATION?</b>                          | Existing       |
| <b>INDUSTRIAL OR NON-INDUSTRIAL FACILITY?</b>                      | Non-Industrial |
| <b>CITY FROM WHICH JOBS WILL BE RELOCATED IN NEW JERSEY:</b>       | N/A            |
| <b>STATEWIDE BASE EMPLOYMENT:</b>                                  | 35             |
| <b>PROJECT IS:</b> ( X ) Expansion                                 | ( ) Relocation |
| <b>CONSTRUCTION:</b> ( X ) Yes                                     | ( ) No         |

**CONDITIONS OF APPROVAL:**

1. Applicant has not entered into a lease, purchase contract, or otherwise committed to remain in New Jersey.
2. Applicant will make an eligible capital investment of no less than the Statutory minimum after board approval, but no later than 3 years from Board approval.
3. No employees that are subject to a BEIP, BRRAG, legacy Grow New Jersey, Urban Transit Hub or other NJEDA incentive program are eligible for calculating the benefit amount of the Grow New Jersey tax credit.
4. No capital investment that is subject to a BEIP, BRRAG, legacy Grow New Jersey, Urban Transit Hub or other NJEDA incentive program is eligible to be counted toward the capital investment requirement for Grow New Jersey.
5. Within six months following approval, the applicant will submit progress information indicating that the business has site plan approval, committed financing for, and site control of the qualified business facility.

**APPROVAL REQUEST:**

The Members of the Authority are asked to approve the proposed Grow New Jersey grant to encourage B Positive National Blood Services, LLC to increase employment in New Jersey. The recommended grant is contingent upon receipt by the Authority of evidence that the company has met certain criteria to substantiate the recommended award. If the criteria met by the company differs from that shown herein, the award amount and the term will be lowered to reflect the award amount that corresponds to the actual criteria that have been met.

**DEVELOPMENT OFFICER:** J. Kenyon**APPROVAL OFFICER:** D. Poane

**COMBINATION PRELIMINARY AND BOND RESOLUTIONS**

**NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY  
PROJECT SUMMARY - STAND-ALONE BOND PROGRAM**

**APPLICANT:** LEAP Academy University Charter School, Inc.

P41359

**PROJECT USER(S):** Same as applicant

\* - indicates relation to applicant

**PROJECT LOCATION:** 549 Cooper Street

Camden City (T/UA)

Camden

**GOVERNOR'S INITIATIVES:** (X) Urban ( ) Edison ( ) Core ( ) Clean Energy

**APPLICANT BACKGROUND:**

The LEAP (Leadership, Education and Partnership) Academy University Charter School, Inc., a 501(c)(3) not-for-profit organization, is a comprehensive K-12 public charter school serving students in Camden, NJ. The School focuses on providing college preparatory education with an emphasis on the content areas of Science, Technology, Engineering and Mathematics.

Founded in 1997, LEAP's three current academic units began the 2014-2015 school year with 1,440 students in grades K-12 in three locations: LEAP Lower School (grades K-6) located at 639 Cooper St., the Upper School (grades 7-12) at 549 Cooper St. and a specialized STEM High School (grades 9-12), at 532 Cooper St. LEAP Schools are in good standing with the NJ Department of Education. Gloria Bonilla-Santiago is the Chair and Janice Strigh is the Chief Academic Officer of LEAP Academy.

In 2003, LEAP closed on an \$8,500,000 tax-exempt bond issued by the Delaware River Port Authority (DRPA). The 2003 DRPA Bonds were issued to pay a portion of the construction and equipping of a school for students in grades 9 through 12 at 549 Cooper St., Camden. The 2003 DRPA Bonds are serial bonds with interest rates ranging from 4.00% to 4.75% with a final maturity in 2028. LEAP is seeking approval from the Authority for a tax-exempt bond issued as a direct purchase to refund all of the outstanding 2003 DRPA Bonds.

LEAP Cramer Hill, LLC closed on tax-exempt bond financing in the amount of \$9,500,000 in 2014 on behalf of the LEAP Schools. The proceeds of the 2014 Bond were used to (i) refinance a conventional loan for the purchase of the building and land (known as the Wilson Building located at 130 North Broad Street, Camden); (ii) finance the costs of renovations to the project facility for use as a charter school facility for grades 9 through 12; (iii) fund a debt service reserve fund; (iv) fund interest during construction and (v) to pay the costs of issuance.

The applicant is a not-for-profit, 501(c)(3) entity for which the Authority may issue tax-exempt bonds as permitted under Section 103 and Section 145 of the 1986 Internal Revenue Code as amended, and is not subject to the State Volume Cap limitation, pursuant to Section 146(g) of the Code.

**APPROVAL REQUEST:**

Authority assistance will enable the applicant to refinance the outstanding balance of the 2003 DRPA Bonds plus pay costs of issuance. The applicant expects a total present value savings of approximately \$500,000 over the life of 2015 Refunding Bonds.

**FINANCING SUMMARY:**

**BOND PURCHASER:** TD Bank, N.A. (Direct Purchase)

**AMOUNT OF BOND:** \$5,940,000 Tax-exempt bond

**TERMS OF BOND:** 13 years; Fixed interest rate based on the tax-exempt equivalent of TD Bank's Cost of Funds plus 55 basis points for 13 years. As of 8/18/15, the indicative rate of interest is 2.24%.

**ENHANCEMENT:** N/A

**PROJECT COSTS:**

|                    |                    |
|--------------------|--------------------|
| Refinancing        | \$5,825,000        |
| Legal fees         | \$60,000           |
| Finance fees       | \$45,000           |
| Accounting fees    | \$10,000           |
| <b>TOTAL COSTS</b> | <b>\$5,940,000</b> |

**JOBS:** At Application      134 Within 2 years      2 Maintained      0 Construction      0

**PUBLIC HEARING:** 09/10/15 (Published 08/25/15)      **BOND COUNSEL:** Chiesa, Shahinian & Giantomasi

**DEVELOPMENT OFFICER:** D. Bennis      **APPROVAL OFFICER:** T. Wells

**NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY  
PROJECT SUMMARY - STAND-ALONE BOND PROGRAM**

**APPLICANT:** Seabrook Village, Inc.

P41313

**PROJECT USER(S):** Same as applicant

\* - indicates relation to applicant

**PROJECT LOCATION:** 3000 Essex Road

Tinton Falls Borough (N)

Monmouth

**GOVERNOR'S INITIATIVES:** ( ) Urban ( ) Edison (X) Core ( ) Clean Energy

**APPLICANT BACKGROUND:**

Seabrook Village, Inc. (Seabrook) is a 501(c)(3) not-for-profit organization established to operate a continuing care retirement community (CCRC) located on 126 acres in Tinton Falls, New Jersey. As of December 31, 2014, Seabrook's available units totaled 1,255 and includes 1,074 independent living units, 95 assisted living units and 86 skilled nursing beds. Erickson Retirement Communities, LLC, a Maryland limited liability company, manages the project under a management contract with the applicant. Frederick W. Haas is the Chair of Seabrook Village and R. Allan Butler is the CEO of Erickson Retirement Communities.

In 2006, Seabrook received Authority assistance with tax-exempt bond financing in the amount of \$69,050,000 to refund Seabrook's 2000 Series A and B tax-exempt bonds, the proceeds of which were used to pay a purchase deposit that provided the applicant with the exclusive and irrevocable right to purchase the Seabrook CCRC. The 2006 Bonds were underwritten by Ziegler Capital Markets Group as serial and term bonds with fixed interest rates ranging from 5.00% to 5.25% and a final maturity in 2036.

The applicant is a not-for-profit, 501(c)(3) entity for which the Authority may issue tax-exempt bonds as permitted under Section 103 and Section 145 of the 1986 Internal Revenue Code as amended, and is not subject to the State Volume Cap limitation, pursuant to Section 146(g) of the Code.

**APPROVAL REQUEST:**

Authority assistance will enable the applicant to refinance a taxable loan used to defease the 2006 Bonds and to pay a portion of the costs of issuance. Any difference in the bond amount and the project costs will be funded by the Applicant's equity. Seabrook recently closed on a taxable loan with Branch Bank and Trust Company to defease and redeem the 2006 Bonds on the first call date, November 16, 2016, because the 2006 Bonds were already advanced refunded and a second advance refunding is not permitted under the IRS Code.

**FINANCING SUMMARY:**

**BOND PURCHASER:** Branch Bank and Trust Company (Direct Purchase)

**AMOUNT OF BOND:** \$64,000,000 Max. (Tax-exempt)

**TERMS OF BOND:** 26 years; Variable interest rate based on the tax-exempt equivalent of 1 month LIBOR plus 1.07%. The applicant has entered into a forward starting swap agreement at a fixed interest rate of 3.115% for 10 years.

**ENHANCEMENT:** N/A

**PROJECT COSTS:**

|                    |                    |
|--------------------|--------------------|
| Refinancing        | \$62,000,000       |
| Contingency        | \$2,000,000        |
| Finance fees       | \$350,000          |
| Legal fees         | \$150,000          |
| <b>TOTAL COSTS</b> | <hr/> \$64,500,000 |

**JOBS:** At Application            671 Within 2 years            3 Maintained            0 Construction            0

**PUBLIC HEARING:** 09/10/15 (Published 08/24/15)    **BOND COUNSEL:** McCarter & English, LLP

**DEVELOPMENT OFFICER:** D. Bennis            **APPROVAL OFFICER:** T. Wells



## **PRELIMINARY RESOLUTIONS**

**NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY  
PROJECT SUMMARY - STAND-ALONE BOND PROGRAM**

**APPLICANT:** Jewish Community Center on the Palisades

P41373

**PROJECT USER(S):** Same as applicant

\* - indicates relation to applicant

**PROJECT LOCATION:** 411 East Clinton Avenue      Tenafly Borough (N)      Bergen

**GOVERNOR'S INITIATIVES:** ( ) Urban   ( ) Edison   (X) Core   ( ) Clean Energy

**APPLICANT BACKGROUND:**

The Jewish Community Center on the Palisades (The Center) is a 501(c)(3) not-for-profit organization founded in 1949. The Center is a non-sectarian institution established to provide educational, cultural, social welfare and recreational services such as performing arts classes and workshops, health/wellness/nutrition, physical education, and informal education for children, teens, adults and seniors. Some notable community service programs include Early Childhood Pre-School, Therapeutic Nursery, Guttenberg Center for Special Services and Kaplan Adult Reach Center, a daycare program for frail seniors with memory deficits. The Center is a 190,000 sq. ft. two story building on a 29-acre campus in the East Hill section of Tenafly, NJ. It was built in 1981 and has since undergone a major \$25 million renovation to update the campus. JoJo Rubach is the President and Edward A. Grossman is the Chair of the Center.

The project is subject to the review and approval of the Attorney General's Office relating to the First Amendment's Establishment Clause.

The applicant is a not-for-profit, 501(c)(3) entity for which the Authority may issue tax-exempt bonds as permitted under Section 103 and Section 145 of the 1986 Internal Revenue Code as amended, and is not subject to the State Volume Cap limitation, pursuant to Section 146(g) of the Code.

**APPROVAL REQUEST:**

Authority assistance will enable the applicant to refinance existing conventional debt and other capital projects, including additional improvements and purchase of furniture and fixtures as well as technology and networking equipment.

**FINANCING SUMMARY:**

**BOND PURCHASER:**

**AMOUNT OF BOND:**

**TERMS OF BOND:**

**ENHANCEMENT:**      N/A

**PROJECT COSTS:**

|  |                                 |
|--|---------------------------------|
| Refinancing                              | \$11,100,000                    |
| Working capital                          | \$1,245,000                     |
| Purchase of equipment & machinery        | \$400,000                       |
| Renovation of existing equipment & machi | \$350,000                       |
| Finance fees                             | \$221,250                       |
| Renovation of existing building          | \$200,000                       |
| Soft Costs                               | \$100,300                       |
| Legal fees                               | \$85,000                        |
| <b>TOTAL COSTS</b>                       | <hr/> <b>\$13,701,550</b> <hr/> |

**JOBS:** At Application

600 Within 2 years

15 Maintained

0 Construction

2

**PUBLIC HEARING:**

**DEVELOPMENT OFFICER:** M. Athwal

**BOND COUNSEL:** Chiesa, Shahinian & Giantomasi

**APPROVAL OFFICER:** T. Wells

## **LOANS/GRANTS/GUARANTEES**

**LOCAL DEVELOPMENT FINANCING FUND PROGRAM**

**NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY  
PROJECT SUMMARY - LOCAL DEVELOPMENT FINANCING FUND PROGRAM - (PREMIER**

**APPLICANT:** Dave Realty LLC

P40546

**PROJECT USER(S):** Pioneer Business System, Inc. \*  
Print City Corp. \*

\* - indicates relation to applicant

**PROJECT LOCATION:** 146 Coit Street Irvington Township (T/UA) Essex

**GOVERNOR'S INITIATIVES:** (X) Urban ( ) Edison ( ) Core ( ) Clean Energy

**APPLICANT BACKGROUND:**

Pioneer Business Solutions was started in 2009. The company specializes in selling, renting, leasing, repairing, maintaining and recalibrating copy machines and printers for small to medium-sized businesses. In addition, the principals started Print City in 2013 as a commercial printing company. The applicants plan to purchase a property in Irvington, NJ in order to relocate its headquarters from Manhattan and its leased space in Secaucus housing its printing operation to Irvington, New Jersey.

**APPROVAL REQUEST:**

Approval is requested for a \$440,000 (44.44%) EDA participation in a \$990,000 Provident Bank loan under the Statewide Loan Pool program.

**FINANCING SUMMARY:**

**LENDER:** Provident Bank

**AMOUNT OF LOAN:** \$990,000 Provident Bank loan with a 44.44% (\$440,000) EDA participation.

**TERMS OF LOAN:** Fixed five business days prior to closing at the 5-year US Treasury rate plus 250 basis points, subject to a floor of 4.0%. Rate reset at the end of year five based on the same index, spread and floor. 10 year term, 20 year amortization.

**TERMS OF PARTICIPATION:** Fixed at closing at the 5 year US Treasury or 2%, whichever is greater, plus 150 basis points. Ten year term with a five year interest rate reset and a 20 year amortization.

**PROJECT COSTS:**

|                                  |                           |
|----------------------------------|---------------------------|
| Acquisition of existing building | \$1,100,000               |
| Finance fees                     | \$4,500                   |
| <b>TOTAL COSTS</b>               | <u><u>\$1,104,500</u></u> |

**JOBS:** At Application      8 Within 2 years      12 Maintained      0 Construction      0

**DEVELOPMENT OFFICER:** D. Bennis

**APPROVAL OFFICER:** T. Bossert

**HAZARDOUS DISCHARGE SITE REMEDIATION  
FUND PROGRAM**

**MEMORANDUM**

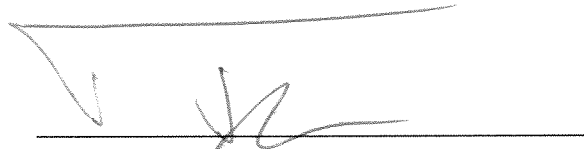
**TO:** Members of the Authority  
**FROM:** Timothy Lizura  
President/Chief Operating Officer  
**DATE:** September 10, 2015  
**SUBJECT:** NJDEP Hazardous Discharge Site Remediation Fund Program

The following municipal grant project has been approved by the Department of Environmental Protection to perform Remedial Investigation activities. The scope of work is described on the attached project summary.

**HDSRF Municipal Grant:**

Borough of Woodbine (Woodbine Landfill) \$ 175,319

**Total HDSRF Funding – September 2015 \$ 175,319**



Prepared by: Kathy Junghans



**NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY  
PROJECT SUMMARY - HAZARDOUS SITE REMEDIATION - MUNICIPAL GRANT**

**APPLICANT:** Borough of Woodbine (Woodbine Landfill)

P41091

**PROJECT USER(S):** Same as applicant

\* - indicates relation to applicant

**PROJECT LOCATION:** 1409 Fidler Hill Rd.

Woodbine Borough (T)

Cape May

**GOVERNOR'S INITIATIVES:** ( ) Urban ( ) Edison (X) Core ( ) Clean Energy

**APPLICANT BACKGROUND:**

In April 2010, the Borough of Woodbine received a grant in the amount of \$428,178 under P28568 to conduct Preliminary Assessment and Site Investigation for the project site. The site, identified as Block 117, Lot 1 is a former landfill which has potential environmental areas of concern (AOCs). The Borough of Woodbine owns the project site and has satisfied proof of site control. It is the Borough's intent, upon completion of the environmental investigation activities, to redevelop the project site as a biofuel plant.

NJDEP has approved this request for Remedial Investigation (RI) grant funding on the above-referenced project site and finds the project technically eligible under the HDSRF program, Category 2, Series A.

**APPROVAL REQUEST:**

The Borough of Woodbine is requesting a supplemental grant to perform RI in the amount of \$175,319 at the Woodbine Landfill project site. Total grant funding including this approval is \$603,497.

**FINANCING SUMMARY:**

**GRANTOR:** Hazardous Discharge Site Remediation Fund

**AMOUNT OF GRANT:** \$175,319

**TERMS OF GRANT:** No Interest; No Repayment

**PROJECT COSTS:**

|                         |                              |
|-------------------------|------------------------------|
| Remedial investigation  | \$175,319                    |
| EDA administrative cost | \$500                        |
| <b>TOTAL COSTS</b>      | <hr/> <b>\$175,819</b> <hr/> |

**APPROVAL OFFICER:** K. Junghans

**BOARD MEMORANDUMS**



## MEMORANDUM

**TO:** Members of the Authority  
**FROM:** Timothy J. Lizura, President and COO  
**DATE:** September 10, 2015  
**SUBJECT:** Projects Approved Under Delegated Authority - **For Informational Purposes Only**

The following projects were approved under Delegated Authority in August 2015:

### **Premier Lender Program:**

- 1) Carton Brewing Company, LLC (P41165, P41166, P41167) is located in the Atlantic Highlands Borough, Monmouth County. The Company was founded in 2010 as a craft brewery, serving on premises beer and self-distributes to over 250 bars, restaurants and liquor stores in New Jersey, NYC and Philadelphia. DOTBC Holdings, LLC is a real estate holding company with common ownership to Carton Brewing Company, LLC formed to acquire two buildings located on Washington Avenue in Atlantic Highlands. Provident Bank approved a \$1,040,000 bank loan contingent upon a five year, \$180,000 (17.31%) Authority guarantee to purchase a commercial property; a \$950,000 equipment line of credit with a one year, 50% Authority guarantee, not to exceed \$475,000 to purchase new equipment; and a \$300,000 working capital line of credit, contingent upon a one year, \$150,000 (50%) Authority guarantee for working capital expenses. Currently, the Company has 10 employees and plans to create 20 new jobs within the next two years.

### **Small Business Fund Program:**

- 1) 291 Main Street LLC (P41343), located in Chatham Borough, Morris County, is a real estate holding company formed to purchase a commercial property in Chatham, NJ. The building will be 50% occupied by Rebecca Jackson DDS, LLC d/b/a Main Street, a new dental practice, as well as unrelated tenants. Rebecca Jackson DDS, LLC is also acquiring the dental practice, John Elwell, DMD, PA, which has been operating at the site since 1981. M & T Bank approved an \$885,000 mortgage loan with a \$309,750 (35%) Authority participation. Proceeds will be used to purchase the project property. Currently, the Company has three employees and plans to create one new job within the next two years.
- 2) Habitat For Humanity, Burlington County ("HHB") (P41289), located in Maple Shade Borough, Burlington County, is a 501 c3, not for profit organization founded in 1987 and is affiliated with Habitat For Humanity International. HHB's mission is to partner with families in need to transform lives through affordable home ownership. The Company was approved for a \$420,000 direct loan. Proceeds will be used to purchase a commercial property. Currently, the Company has 20 employees and plans to create ten new positions over the next two years.

- 3) WJJ & Company LLC d/b/a Papertec (P41287), located in Garland City, Bergen County, is a manufacturer and distributor of plugboard, paper and specialty films. The Company also offers slitting, sheeting and die cutting services. The Company was approved for a \$300,000 direct loan. Proceeds will be used to purchase equipment and machinery. The Company currently has 20 employees and plans to create 2 additional jobs within the next two years.

**Stronger NJ Business Loan Program:**

- 1) JMJ LLC d/b/a Jimbo's (P40986), located in Seaside Heights Borough, Ocean County, is a family owned restaurant/bar in Seaside Heights, NJ, that offers American cuisine such as pizza, burgers and subs, and a full bar to cater to the diverse array of customers that frequent the boardwalk at Seaside Heights for family fun and night life. The Company was approved for a \$200,000 working capital loan to reimburse working capital expenses incurred during 2014.
- 2) Rayco II World of Spoilers, Inc. ("Rayco") (P38843), located in Little Ferry Borough, Bergen County, was formed in 1985 as a wholesale/retail store selling after-market auto parts and accessories. The property housing Rayco is owned by a related entity, Rayco II Real Estate Management, LLC. Two affiliated tenants occupying the building besides Rayco are Wheel Gallery Inc. and Marble Gallery Inc. The Company was approved for a \$700,000 working capital loan to reimburse working capital expenses incurred during 2014.

**NJ Main Street Program - Modification:**

- 1) CM&E Con, Inc. (P39419), located in Woodbridge Township, Middlesex County, performs as a general contractor in the construction industry mainly for various government agencies including NYC School Construction Agency, Mass Transit Authority and Department of Transportation, and also performs some private jobs. Provident Bank approved a renewal of a \$1,000,000 line of credit with a one year, 50% guarantee of principal outstanding, not to exceed \$500,000. Original loan proceeds were used for working capital expenses. All other terms and conditions of the original approval remain unchanged.

**Stronger NJ Business Loan Program - Modification:**

- 1) Purpuri Shoes, Inc. (P38657), located in Dover Township, Ocean County, was approved for a \$189,992 construction loan and a \$146,548 working capital loan on November 1, 2013. The construction project involves the addition of a second story to the building to contain 2,800 square feet of rentable office/storage, and the conversion of the first floor retail space into two stores. The Authority approved an increase to the existing \$189,992 construction loan by \$120,008, resulting in a modified loan amount of \$310,000, as construction costs were higher than originally anticipated. This modification will also increase the amortization of the existing approval from 25 to 30 years to maintain monthly loan payment.



---

---

**REAL ESTATE**



NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

## MEMORANDUM

**TO:** Members of the Authority

**FROM:** Timothy J. Lizura  
President/Chief Operating Officer

**RE:** Premier Education Group  
Surrender and Cancellation of Lease and Occupancy Agreement  
The Technology Centre of New Jersey

**DATE:** September 10, 2015

### Summary

I am requesting the Members' approval to enter into a Surrender and Cancellation of Lease and Occupancy Agreement between Premier Education Group ("Premier") and the NJ Economic Development Authority ("NJEDA") for the 36,500 square foot building at the Technology Centre of New Jersey ("Centre") known as "Tech VI".

### Background

At the December, 2014 meeting, the Members approved a ten year, six month lease with Premier Education Group, a privately owned career training organization, for the Tech VI building at the Centre.

The Tech VI building is a 36,500 square foot Class B office building constructed in the 1960s, currently in fair condition. It was most recently occupied by Anthem Education Institute, Inc., which declared bankruptcy and sold its business to Premier in August, 2014. Premier has occupied the Tech VI building since September 1, 2014.

After several months of lease negotiations, Premier informed the NJEDA that they were no longer interested in leasing the entire building because its enrollment was not what was anticipated at the site. Further discussions ensued, which ultimately resulted in Premier's decision to terminate its occupancy at the Centre.

Premier did not pay its rent in accordance with the proposed 120 month lease, and requested that the rent for the short-term occupancy be reduced because of the condition of the building. After much negotiation, the parties have agreed to the basic terms as outlined on the attached sheet.

Premier has agreed to pay \$45,000 per month on a gross basis (\$14.79 per square foot per year), retroactive to September 1, 2014. The company is currently seeking alternative space and has requested a maximum of six months additional occupancy at the Centre through February 29, 2016.

By way of comparison, for the first twelve months, the amount due under the original proposed 126 month lease term would have been \$454,105.61, which reflected six months of free rent. With no free rent, the amount due at the same rental rate would be \$801,403.13. At the negotiated rate for the short term occupancy, the amount to be collected for the first twelve months (i.e. September 2014-August 2015) will be \$540,000. This amount now has been paid in full by Premier. There is no accounting write-off involved, because the rental income for Premier has been recorded on a cash basis, and not accrued.

Premier has also agreed to pay the rent two months in advance at a time starting with the months of September-October 2015, perform all the maintenance for the building, and remove all of its personal property upon termination.

**Recommendation**

In summary, I am requesting the Members' approval to 1) enter into a Surrender and Cancellation of Lease and Occupancy Agreement between Premier and the NJEDA for the 36,500 square foot building at the Centre known as Tech VI; and (2) to execute any and all other documents to complete these transactions on final terms acceptable to the Authority's Chief Executive Officer and the Attorney General's Office.



---

Timothy J. Lizura  
President/ Chief Operating Officer

Attachment  
Prepared by: Christine Roberts



NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

## MEMORANDUM

**TO:** Members of the Authority

**FROM:** Timothy J. Lizura  
President/Chief Operating Officer

**RE:** Security Services  
NJEDA Headquarters and Barnes Street Parking Lot, Trenton, NJ and  
Waterfront Technology Center, Camden, NJ

**DATE:** September 10, 2015

### Summary

I am requesting the Members' approval to enter into contracts for security services with Universal Protection Services of Trenton, New Jersey, for security related services for the following properties: (i) NJEDA Headquarters and Barnes Street Parking Lot, Trenton; and (ii) Waterfront Technology Center, Camden.

### Background

The Real Estate Division publicly advertised a Request for Qualifications and Proposals (RFQ/P) for the referenced services on behalf of the Authority. The existing security contracts with Vets Securing America, for these properties, expired on February 1, 2015. Services are currently being provided pursuant to a month to month extension, under that contract.

Site tours at both locations were held and questions and answers were posted on the Authority's website. Proposals were received from the following eight (8) firms:

- United American Security
- Vets Securing America
- Mjake Security Services
- ABM Janitorial Service
- Allied Barton Security Service
- Universal Protection Service
- Security Guard, Inc. T/A Tri-County Security
- ISS Facility Services

The firm of Security Guard, Inc. T/A Tri-County Security was deemed non-responsive as it did not provide the information required in the RFQ/P such as a narrative regarding understanding of scope of work, key staffing, resumes, firm's qualifications, references, etc. Also, the Fee Proposals submitted by Security Guard, Inc. T/A Tri-County Security did not include the percentage escalations on the form. Although they provided monetary escalation, the percentage escalation(s) was a mandatory requirement.



The firm of ISS Facility Services was deemed non-responsive as it did not provide any information other than the two Fee Proposals.

Because the proposals submitted by Security Guard, Inc. T/A Tri-County Security and ISS Facility Services were not responsive, they were not released to the Selection Committee members for evaluation.

A comprehensive evaluation and scoring analysis was performed (please see attached Matrix Evaluation) resulting in the Selection Committee recommending the award to Universal Protection Services, the highest ranked bidder, based on the firm's qualifications, experience, price, and other factors, as outlined in the RFQ/P. The emphasis of the evaluative scoring was based on the firm's qualifications and experience; the firm's management, staff resources and experience; and the fee proposal.


Final approval of Universal Protection Services will be subject to receipt and approval of its remaining compliance documentation. In the alternative, if Universal Protection Services is found to be non-compliant, we are seeking approval to enter into a contract with the next highest scoring firm, and so on, subject to receipt and approval of its compliance documentation.

It is recommended that the Authority enter into contracts with Universal Protection Services to provide security services for a term of two (2) years with three additional one (1) year extension options, in the Authority's sole discretion.

Universal Protection Services' fully loaded hourly rate for providing security services for the NJEDA Headquarters and Barnes Street Parking Lot is \$29.88 with 0.50% annual escalations starting the 2<sup>nd</sup> year through to the 5<sup>th</sup> year. The fully loaded hourly rate providing security services for the Waterfront Technology Center is \$ 23.84 with 0.50% annual escalations starting the 2<sup>nd</sup> year through to the 5<sup>th</sup> year. These services are subject to the State Building Services Contracts Act which establishes the prevailing wage to be paid by county where the services are being performed.

**Recommendation**

In summary, I am requesting the Members' approval to execute contracts for security services with Universal Protection Services for a term of two (2) years with three additional one (1) year extension options, on terms acceptable to the President/Chief Operating Officer and the Attorney General's Office for the NJEDA Headquarters and the Barnes Street Parking Lot, and the Waterfront Technology Center in Camden.

  
\_\_\_\_\_  
Timothy L. Lizura  
President/Chief Operating Officer

Attachment  
Prepared by: Donna Sullivan

**HIGHER EDUCATION PUBLIC PRIVATE PARTNERSHIP PROGRAM**



## MEMORANDUM

**TO:** Members of the Authority

**FROM:** Timothy J. Lizura  
President and Chief Operating Officer

**RE:** Higher Education Public Private Partnership Program  
The College of New Jersey  
Campus Town Center 2<sup>nd</sup> Amendment

**DATE:** September 10, 2015

### Summary

The Members are asked to approve The College of New Jersey's ("Applicant") second amendment to the Campus Town Center project, which includes 130 apartments, and approximately 82,519± SF of ground floor commercial retail (the "Project" or "Development") on approximately 13.219± acres of land on the Applicant's campus under the Higher Education Private Public Partnership Program (the "Program") established by P.L. 2009, c. 90, as amended (the "Act"). The Applicant requests to add the development cost of a pad site and the maintenance building which were previously excluded from the budget; this request will increase the budget from \$85.10 million to \$89.56 million. Under the Act, the "Authority shall review all completed applications" and "[n]o project shall be undertaken until final approval has been granted by the [A]uthority." N.J.S.A. 18A:64-85.f(3). The second amended application is required because the Authority retains "the right to revoke approval if it determines that the project has deviated from the plan submitted." *Id.* Staff has reviewed the amended application and supporting documentation in accordance with the Act and pursuant to the Authority's Higher Education Institution Public-Private Partnership Program Guidelines (the "Guidelines") and recommends approval of the Applicant's revised Project. The Authority's approval will be subject to the Applicant submitting additional items that are outlined below.

### Background

#### *Prior Approvals*

In April 2012, the Members approved the public-private partnership between the Applicant and the PRC Group Campus Centers, LLC ("PRC Group" or "private partner") for the Campus Town Development, which would include 137 apartments with 410 beds and 78,000 SF of ground floor

retail space with an estimated development cost of \$56.370 million. In February 2014, the Members approved the first amendment to the Project, which included the following changes:

1. *Beds*. The apartment beds increased from 410 to 446
2. *Commercial Space*. The commercial rental square feet increased from 78,000 to 82,383 SF
3. *Uses and Sources of Funds*
  - a. *Use of Funds*. The uses of funds increased from ±\$54.37 million to ±\$84.93 million;
  - b. *Sources of Funds*
    - i. *Private Equity*. The private partner's equity increased from ±\$8.5 million to ±\$23.4 million
    - ii. *Construction/Permanent Loan*. The loan increased from ±\$47.9 million to ±\$52.5 million
    - iii. *New Source*. The private partner added a residential ERG in the amount of ±\$9.1 million as a new source of funds (reimbursed through cash flow)
4. *Ground Lease Amendments*. Revisions to the ground lease included:
  - a. *Commercial Uses*. Addressing food service and other commercial activities
  - b. *Rent*. Changing the calculation and amount of ground rent the Applicant would receive
  - c. *Residential Units*. Changing the conditions under which residential units could be offered to the public

#### *Application Timeliness*

The second amended application was filed by August 1, 2015, the Act's deadline for this project type. Real Estate Division Staff reviewed the second amended application and found it to be complete.

#### *Private Financing and Ownership of the Land*

Staff has reviewed the second amended application to confirm that the private partner continues to assume full financial and administrative responsibility for the construction of the Project and that the Applicant has no financial responsibility for the Project's construction and continues to own the land.

*Project Description*

This request will add 1,500 square feet of commercial space to the development. The maintenance building was previously included in the project description but excluded from the budget.

*Partnership Document Changes*

The project's partnership documents remain the same as previously approved in the first amendment.

*Partner's Experience and Qualifications*

The private partner has retained the same development team that was reviewed and approved in the first amendment. The development team has sufficient experience and qualifications to complete the project with the additional improvements.

*Project Financing and Feasibility*

The Applicant is requesting the following changes to the development budget:

| Uses of Funds         | 1st Amendment       | % Project      | 2nd Amendment       | % Project   | Difference         |
|-----------------------|---------------------|----------------|---------------------|-------------|--------------------|
| Acquisition           | \$833,500           | 0.98%          | \$1,086,720         | 1.21%       | \$253,220          |
| Improvements          | \$65,658,864        | 77.31%         | \$68,210,959        | 76.17%      | \$2,552,095        |
| Professional Services | \$9,073,980         | 10.68%         | \$9,546,472         | 10.66%      | \$472,492          |
| Financing/Other Costs | \$5,638,531         | 6.64%          | \$5,875,615         | 6.56%       | \$237,084          |
| Contingency           | \$1,103,957         | 1.30%          | \$2,212,037         | 2.47%       | \$1,108,080        |
| Development Fee       | \$2,623,388         | 3.09%          | \$2,623,388         | 2.93%       | \$0                |
| <b>TOTAL</b>          | <b>\$84,932,220</b> | <b>100.00%</b> | <b>\$89,555,191</b> | <b>100%</b> | <b>\$4,622,971</b> |

| Sources of Funds | 1st Amendment       | % Project      | 2nd Amendment       | % Project      | Difference         |
|------------------|---------------------|----------------|---------------------|----------------|--------------------|
| Loan             | \$52,500,000        | 61.81%         | \$55,100,000        | 61.53%         | \$2,600,000        |
| Equity           | \$23,378,247        | 27.53%         | \$24,210,518        | 27.03%         | \$832,271          |
| Commercial ERG   | \$9,053,973         | 10.66%         | \$9,053,973         | 10.11%         | \$0                |
| FF&E Lease       | \$0                 | 0.00%          | \$1,190,700         | 1.33%          | \$1,190,700        |
| <b>TOTAL</b>     | <b>\$84,932,220</b> | <b>100.00%</b> | <b>\$89,555,191</b> | <b>100.00%</b> | <b>\$4,622,971</b> |

The private partner requests the changes for the following reasons:

- The addition of the pad site development cost to the development budget (includes core and shell and most of the tenant fit out)
- The addition of a 1,800 square foot maintenance building to the development budget
- The reconfiguration of parking and other site improvements to accommodate the larger pad site and the maintenance building, which increased the existing line items in budget

In addition, the private partner will finance the furniture through a 10 year lease in lieu of purchasing furniture. The lease, in the amount of \$1.190 million, will be added as a development source.

The project's development budget, construction costs and developer's compensation are within the existing market conditions (taking into account prevailing wage) to develop a mixed use project of this type. The revised operating proforma includes operating income that can carry the additional leasing and permanent debt in the revised budget and that the Project continues to be financially feasible.

#### *Long-Range Maintenance Plan*

The previously submitted long range maintenance plan includes the additional improvements and the plan continues to meet the Act's requirements.

#### *Project Schedule*

The Applicant has provided a schedule to complete the Development by August 2016. In addition, the Lease requires substantial completion of the Project by no later than the fifth anniversary of original approval of the Project by the Authority. These periods comply with the Act's requirement that projects be completed within 5 years of the Authority's approval date.

#### *NJ Green Building Manual and LEED Standards*

For this Development, the private partner has agreed to design and construct the project so that it would qualify for the LEED Silver certification if an application would be filed with LEED.

#### *Other Requirements of the Act*

In accordance with the Act's requirements, the Applicant has certified to that it will continue to comply with the following requirements of the Act:

- *DPMC Classification.* The private partner will obtain the required DPMC classification for the required professionals and contractors
- *Prevailing Wage.* The private partner will pay prevailing wage to each worker employed in the construction or building maintenance services as required by the Act
- *Project Labor Agreement.* The private partner will enter into the required project labor agreement as required by the Act
- *Bond.* The private partner will post the required bond or have the bond posted on its behalf as required by the Act

*Recommendation*

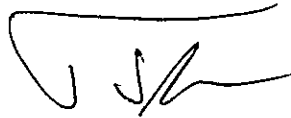
Staff recommends that the Board approve the second amendment to the application subject to the following conditions being met to the satisfaction of appropriate staff (e.g., Chief Executive Officer, President and Chief Operating, Senior Vice President of Finance & Development, or Director of the Real Estate Division):

1. Submitting, in final form, the development and operating budget (substantially the same as the documents reviewed by the Authority)
2. Submitting a copy of the executed furniture lease and revised loan commitment (construction loan, permanent loan) for the Project with terms substantially similar to those provided in the second amended Application
3. Submitted a copy of the executed amendments to the project labor agreements that comply with requirements of the Act
4. Submitting, in final and satisfactory form, posted bonds guarantying prompt payment of moneys due contractors (and/or subcontractors) for the maintenance building and pad site
5. Submitting quarterly reports during the construction period
6. Submitting other items (such as final forms of financial documents) that the Applicant must provide in order to obtain the Authority's final approval

The Applicant **shall not** permit the private partner to commence construction of the Project until Authority Staff receives and reviews the requested items listed above and the Authority Staff issues a letter stating that conditions in this memo are met.

**Recommendation**

In summary, I ask for the Members to authorize the Authority's staff to approve the second amendment to the Campus Town Center project upon meeting the conditions outlined in this memo.



---

Timothy J. Lizura  
President and Chief Operating Officer

Prepared by: Juan Burgos



**MEMORANDUM**

**TO:** Members of the Authority

**FROM:** Timothy J. Lizura  
President and Chief Operating Officer

**RE:** Higher Education Public Private Partnership Program  
The College of New Jersey  
Campus Town Center Phase 2  
Buildings 8, 9 and 2,362 SF Commercial Pad Site

**DATE:** September 10, 2015

**Summary**

The Members are asked to approve The College of New Jersey's ("Applicant") application to develop the second phase of the Campus Town Center which will include 54 apartments (166 beds), and 2,362± SF of ground floor commercial retail (the "Project" or "Development"), on approximately 13.219± acres of land on the Applicant's campus under the Higher Education Private Public Partnership Program (the "Program") established by P.L. 2009, c. 90, as amended (the "Act") as part of an on-going project that the Authority previously approved under the Program. The commercial space in Phase 2 "will only be developed if the parking spaces that would be displaced by the commercial pad are either located elsewhere or no longer required" and only if the pad is subleased and fully developed by the subtenant at the subtenant's expense. Phase 2's total development cost will be approximately ±\$26.55 million. The Applicant currently owns the 13.219± acres. Under the Act, the "Authority shall review all completed applications" and "[n]o project shall be undertaken until final approval has been granted by the [A]uthority." N.J.S.A. 18A:64-85.f(3). Staff performed a substantive review of the application and supporting documentation in accordance with the Act and pursuant to the Authority's Higher Education Institution Public-Private Partnership Program Guidelines (the "Guidelines") and recommends approval of the Applicant's Project. The Authority's approval will be subject to the Applicant submitting additional items that are outlined below.

*The College of New Jersey  
Higher Education Public Private Partnership Program  
Campus Town Center Phase 2: Buildings 8, 9 and 2,362 SF Commercial Pad Site  
Page 1*



## **Background**

### *The Authority's Scope of Review*

Under the Program, the Authority must review and approve an application, which, in order to be complete, must contain the following items:

1. a full narrative description of the project
2. a public-private partnership agreement between the state or county college and the private developer
3. a land lease or land agreement
4. financial information including the estimated costs and financial documentation for the project
5. a detailed project schedule (i.e., timetable) for completion of the project extending no more than five years after consideration and approval
6. DPMC classification information for the required contractors and/or subcontractors
7. evidence of arrangements for entering into project labor agreements and paying prevailing wages as required by the Act
8. evidence of arrangements for issuance of the required bonds.

The financial documentation shall include a long-range maintenance plan that will "specify the expenditures that qualify as an appropriate investment in maintenance." In addition, the Authority may impose "other requirements that the [A]uthority deems appropriate or necessary."

### *Application Deadline*

Within the Act's deadline, the Applicant submitted a complete application for the Project with adequate exhibits and supporting documentation which included a Ground Lease which serves as the partnership agreement for this Project. Real Estate Division Staff deemed the application complete.

The Act requires that any project undertaken through the Program must be financed in whole by the private entity. Staff has reviewed the project documents to confirm that the private partner assumes full financial and administrative responsibility for the construction of the Project and that the Applicant has no financial responsibility for the construction of the Project. The Act also requires that the State or institution of higher education must retain full ownership of the land upon which any project undertaken through the Program. Staff has reviewed the Project documents to confirm that the Applicant will retain full ownership of the land where the Project will be developed.

*The College of New Jersey*

*Higher Education Public Private Partnership Program*

*Campus Town Center Phase 2: Buildings 8, 9 and 2,362 SF Commercial Pad Site*

*Page 2*

*Project Description and Schedule*

In September 2010, The Applicant issued a request for qualifications and proposals to select a private partner to design, develop, construct, manage, and operate a Campus Town Center on its campus. Four parties responded to the RFP, and a result of the process, the Applicant selected the PRC Group of Companies (“PRC Group” or “Group”), through a single purpose entity – PRC Campus Centers, LLC (“Project Owner”), to own, design, develop, construct, manage and operate the Development. On January 24, 2012, the Applicant’s Board of Trustees (“Trustees”) approved the partnership document, the Ground Lease (“Lease”), between the Applicant and the Project Owner.

*A. Campus Town Center Phase 1*

In April 2012, the Members approved the public-private partnership between the Applicant and the PRC Campus Centers, LLC for the Campus Town Center, which would include 137 apartments with 410 beds and 78,000 SF of ground floor retail space with an estimated development cost of \$56.370 million.

In January 2014, the Applicant filed an amended application to expand Phase 1 to include 130 apartments, 440 beds, and 82,383 SF of ground floor retail space for a total development cost of ±\$84.93 million. The lease including these amendments was executed in April 2014.

The parties held a grand opening ribbon cutting on August 19<sup>th</sup> of this year. The Center is ready for occupancy for the 2016-17 academic year.

*B. Campus Town Center Phase 2: Buildings 8, 9, Potential Pad Site, and New Main Entrance*

*1. Buildings 8 and 9*

This application will add Buildings 8 and 9 to the Town Center, which will include the following:

| <b>Apartments</b>         | <b>Units</b> | <b>Avg. Unit SF</b> | <b>Beds</b> | <b>Annual Unit Rent</b> |
|---------------------------|--------------|---------------------|-------------|-------------------------|
| Efficiencies & 1 Bedrooms | 6            | 440                 | 6           | \$13,741                |
| 2 Bedroom                 | 16           | 770                 | 32          | \$25,312                |
| 4 Bedroom                 | 32           | 1,255               | 128         | \$45,881                |
|                           | <b>54</b>    |                     | <b>166</b>  |                         |

The units will be included within 2 buildings that will be constructed on the eastern border of the parking lot that is on the northern portion of the site. This lot has the Applicant’s main campus entrance off Route 31 as its northern boundary and Metzger Drive as its eastern boundary. The

buildings will face Metzger Drive. The existing parking lot will be reduced from 216 spaces to 204 spaces to accommodate the new buildings.

## *2. Proposed Commercial Pad Site*

The Project Owner proposes to include a 2,632 SF commercial pad site, only if the following conditions are met:

- The displaced parking spaces are developed elsewhere or are no longer needed; the parties will jointly decide if the parking spaces are no longer required.
- The pad site will be subleased to the subtenant and the subtenant will be completely responsible for the construction and funding of all the required improvements

The site may be developed immediately north of building 1 of the existing Development, which is bounded by Lions Road to the North and Route 31 to the West. If developed, the pad site will displace 19 parking spaces. Site plans depicting the proposed changes to the Project (new residential buildings and pad site) are attached as Exhibit A.

## *3. New Main Campus Entrance on Route 31.*

As part of the Development, the Project Owner will design and construct a new campus entrance off of Route 31 which the Applicant will approve. The Applicant will continue to own the land and will own the new entrance improvements.

## *4. Estimated Job Creation*

The Project Owner estimates that the development of Buildings 8 and 9 will create 50 construction jobs and 10 permanent jobs (residential and commercial combined).

## *5. Encouraging Green Building*

The Act encourages projects to adhere to the Leadership in Energy and Environmental Design ("LEED") Green Building Rating System and/or the NJ Green Building Manual. For this Development, the Project Owner has agreed to design and construct the project so that it would qualify for the LEED Silver certification if an application was filed.

## *6. Project Schedule*

The Applicant has provided a schedule to complete the Development, excluding the commercial tenant fit out, by August 1, 2016. In addition, the Lease requires completion of the Project by no later than the fifth anniversary of approval of the Project by the Authority. The schedule complies with the Act's requirement to complete a project within 5 years of the Authority's approval date.

In accordance with the Guidelines, staff reviewed the Applicant's description of the Project, its design, and project schedule. Staff concludes that the Applicant has proposed a feasible project plan and design, and that the Applicant has proposed a schedule that will meet the Act's five year completion deadline.

*Summary of the Partnership Documents*

The parties' roles, responsibilities and benefits in the transaction are summarized below:

*A. Applicant*

1. *Lease Area.* The Applicant already leases approximately 13.219± acres to the Project Owner for the Development. The Lease will be amended to include the development of Phase 2.
2. *Revised Lease Period.* The first amendment to the Lease will amend the term as follows: "The term. . . shall terminate and expire on the earlier to occur of: (a) the last day of the month which is fifty (50) years from the month in which the initial certificate of occupancy or temporary certificate of occupancy for the first of [Phase 2 buildings] is issued; and (b) 12:01 pm eastern time on July 31, 2067."
3. *Revised Project Description and Site Plan.* The Applicant agrees to amend the lease to include the revised site plan and project description to include Phase 2.
4. *Rent.* Rent under the Lease will remain unchanged. The Project Owner will pay rent as follows:
  - a. *Basic Rent.* Commencing on the first day of the twenty-fifth calendar month after receipt of the Initial Certificate of Occupancy or the Outside Completion date (5 years from Authority's approval), Applicant will receive \$400,000 annually, payable in monthly installments (\$33,333.33 per month) in advance.
    - (1) *Rent Increase.* Commencing in the third Lease Year, in addition to Basic Rent, Applicant will receive an additional \$25,000 annually, which shall increase by \$25,000 each following lease year (e.g., Year 3 = \$25,000, Year 4 = \$50,000, Year 6 = \$75,000).
    - (2) *Supplemental Rent.* To the extent that "Percentage Rent exceeds the annual weighted average of the Applicable Rent Increase, the Percentage Rent will be paid. The calculation of Percentage Rent and the weighted average of the Applicable Rent Increase are described below:

“Percentage Rent” equals the “Tenant’s Gross Rental Receipts” (excluding the bookstore) multiplied by following percentage schedule:

| <u>Lease Year</u>        | <u>Applicable %</u> |
|--------------------------|---------------------|
| Years 1 through 7        | 0%                  |
| Years 8 through 14       | 1%                  |
| Years 15 through 24      | 2%                  |
| Years 25 to end of Lease | 3%                  |

*The Weighted Average of the Applicable Rent Increase for the Lease Year.* The lease provides the following example: “Assuming the anniversary of the Rent Commencement Date is June 1, if the Applicable Increase for the first 5 months of the Lease Year from January 1 through May 31 is the annual rate of \$75,000, and the applicable Increase Rent for the remaining seven months of the Lease Year from June 1 to December 31 is at the applicable annual rate of \$100,000, then the weighted average Applicable Increase Rent for such Lease Year is \$89,583.33.” The weighted average is calculated as follows:  $\$75,000/12 \times 5 + \$100,000/12 \times 7 = \$89,583.33$ .

*The Supplemental Rent*, if any, will equal the amount that exceeds \$89,583.33.

For Phase 2, the average annual rent is \$940,000, and the estimated present value, discounted at 4%, of the lease payments is approximately \$15.51 million.

5. *Access and Infrastructure Improvement Rights.* The Applicant reserves access right to the leased premises for maintenance, repairs, and installation of infrastructure improvements to benefit the Applicant’s campus.
6. *Marketing.* The Applicant will assist the Project Owner in marketing the Project so long as the marketing is in “accordance with legal restrictions and the [Applicant’s] policies and . . . do[es] not negatively impact the [Applicant’s] credit or student housing program.”
7. *Financial Aid Used for Rent.* If directed by the student, and to the extent permitted by law, the Applicant “will use commercially reasonable efforts to direct financial aid funds of such student that are in the [Applicant’s] control to the [Project Owner] for the purpose of making rental payments.” When financial aid is granted, and directed by the student, the Applicant and Project Owner will cooperate to establish a schedule for the rental payments.

8. *Sidewalk Clearance.* For sidewalks outside but adjoining the lease premises, the Applicant, in accordance with its campus wide protocol for sidewalk maintenance, will clear the sidewalks of snow, ice, dirt and rubbish.
9. *Non-Exclusive Easement.* The Applicant will grant the Project Owner a “non-exclusive easement” through and under the Applicant’s campus for vehicle and pedestrian traffic to the Development. The Applicant also grants the Project Owner a non-exclusive easement to clear sidewalks adjoining but outside the leased premises of snow, ice, dirt and rubbish more frequently than the Applicant’s maintenance program.
10. *Consent to Changes or Alterations of the Final Plans.* Provide consent (not to be unreasonably withheld) for changes or alterations of the Project’s final plans, subject to the conditions included in the Lease.
11. *Right of Entry.* The Applicant retains the right of entry onto the leased premises, with reasonable notice, for the purpose of inspection and to perform any repairs or perform work due to the Project Owner’s default under the Lease.
12. *Applicant’s Representative.* The Applicant will appoint a representative to represent the Applicant’s interest during the Project’s construction.
13. *Land Transfer and Encumbrance.* Subject to the requirements of the Act, as between the Applicant and the Project Owner, the Applicant reserves the right to “at any time and from time to time, sell, assign, mortgage, encumber or otherwise transfer all or any part of its right, title, and interest with respect to the [leased] Premise, including its fee interest in the Land.”
14. *Environmental Remediation.* For hazardous materials “on or under the land” on the commencement day of the Lease, the Applicant will reimburse the Project Owner up to \$500,000 for the removal of such hazardous materials. The reimbursement will occur from the following sources: (a) an escrow established between the Applicant and the Project Owner in the amount of \$100,000; (b) any insurance recovery the Applicant receives from its environmental insurer; and/or (c) a 100% credit for any rents due Applicant until the Project Owner is paid in full.
15. *Disposition.* Without additional compensation to the Project Owner, at the end of the term, the Applicant shall be entitled to receive all the tenant improvements, which shall also include “fixtures and equipment that are

necessary for the operation of the building systems or common areas” of the leased premises.

16. *Restrictions.* The Applicant has agreed to the following restrictions:

a. *Food Service and Other Commercial Activities*

- (1) *Existing Facilities.* Excluding the existing food service and limited retail store on campus, the Applicant will not develop, operate or encourage the operation of any food service or other commercial facilities on the Applicant’s campus or on property owned or controlled by the Applicant within a 5 mile radius of the Applicant’s campus (the “College Area”). However, the applicant may reconfigure or expand existing food venues and may replace the existing campus retail store with a facility not to exceed 2,400 SF, so long as the target market of the existing venues does not expand beyond the Applicant’s students, faculty and staff. The Applicant may continue to serve food and beverages at special events, training, recreational and educational programs, receptions and other miscellaneous programs.
- (2) *New Facility Construction.* So long as Applicant’s new facilities within the College Area do not violate the Lease, Applicant may incorporate new food service venues that are similar to the current food service venues on campus.
- (3) *Expansions.* If the Applicant acquires, operates or affiliates with “certain existing non-profit institutions,” Applicant may construct, establish, operate, re-configure, and expand food and/or beverage service venues that are limited to serve attendees, employees, and staff of the non-profit institution.
- (4) *“Branded” Food Sales.* Applicant may sell branded food (i.e., “an international, national or regional franchise or ‘chain’ restaurant”) on campus so long as it is incorporated within the offerings of the Applicant’s food service vendor(s). Branded food sales shall not have a separate entrance. However, Applicant may not offer branded foods that are competitor or comparable to branded foods that have existing leases in the Project’s retail space or are in negotiations to lease in the Project’s retail space.
- (5) *Hotel or Conference Center.* Except for the property at 2600 Pennington Road, Applicant may not permit a hotel or conference center to have a separate liquor license or special concessionaire permit.

- b. *Student Housing.* The Applicant agrees that it will not permit the construction of new student housing if as a result of the new housing there will be less than 2,000 un-housed juniors and seniors on campus.
  - c. *Other Public Private Partnerships.* Any other entity that enters into a public private partnership with the Applicant will be bound by the above listed restrictions.
17. *Quiet Enjoyment.* Applicant agrees that the Project Owner “shall lawfully and quietly hold, occupy and enjoy” the leased property.
  18. *Residential Programming.* Applicant has no obligation to provide “residential life or other programming” to the Project Owner’s student tenants.
  19. *Rent Collection.* Applicant has no obligation “to take recourse against students or other individuals or entities for non-payment of rent.”
  20. *Withholding of Transcripts.* The Applicant, to the extent permissible by law and to the extent its Moody’s credit rating will not be impacted, will develop a program to withhold transcripts of the Project’s residential tenants that are in default of their leases.

*B. Project Owner*

1. *Special Purpose Entity.* The Project Owner will be a special purpose entity (either a limited liability company or corporation), with the sole purpose of developing, constructing, owning, operating and maintaining both Phases the Town Center, without the ability to engage in any other business activity, acquire or own any other assets, and/or own subsidiary or make any investments in any other entity or person.
2. *Rent and Additional Impositions.* The Project Owner will pay Base and Supplemental Rent, and additional impositions (e.g., real taxes) as required by the Lease.
3. *Construction of Improvements.* The Project Owner will be responsible for constructing the improvements as required by the Lease.
4. *Construction Schedule.* The Project must complete construction of the Development according to the schedule attached to the Lease, or at the latest, within 5 years of the Authority’s approval.



5. *Construction Completion Guaranty and Letter of Credit.* The Project Owner may provide the following security for the construction of the Project: a. personal guaranty of the Project's Owner's sole owner, Robert M. Kaye, in the amount of \$1 million, and b. irrevocable letter of credit in the amount of \$1 million. The letter credit may only be drawn upon by the Applicant if there is a default under Mr. Kaye's personal guarantee. The funds may be used to restore the leased premises to its original condition in the event the Project is started but not completed. The Project Owner will also provide any other bonding required by the Act and any funding source.
  
6. *Green Building.* The Lease requires that the Project will be designed and constructed "in such a manner so that, if an application were made to the LEED green building certification program . . . sufficient points associated with design and construction [along] with additional points associated with the LEED standards governing all other aspects of the Project [, the Development] would have accumulated enough [points to receive] LEED silver certification."
  
7. *Rental of Residential Units.*
  - a. *First Four Years of Lease.* For the four years of the Lease, the Project Owner must rent the residential units to students, faculty, staff, emeriti faculty, and retired staff of the Applicant ("College Affiliated Occupants"). In the event the Project Owner cannot maintain occupancy levels by renting to College Affiliated Occupants, on the fifth anniversary of the Lease Commencement Date, the Project Owner may rent to persons other than College Affiliated Occupants so long as:
    - (1) the non-college Affiliated Occupants meet the selection criteria outlined in the Lease;
    - (2) the Applicant can review the proposed non-college Affiliated Occupant's application to ensure that the proposed tenant meets the standard of the Lease
    - (3) the rent for the non-College Affiliated units is at least 90% of the average mean price of market rate units for comparable units in the area;
    - (4) the non-Affiliated Occupants are segregated from College Affiliated Occupants (i.e., separate buildings or floors, separate laundry facilities).

- b. *Tenants of Buildings 8 and 9.* Build 8 and 9 will not be rented to "Underclass Students," which is defined as Applicant's students that have completed less than 16 earned course credits.
8. *Rental of Non-Residential Space.* The Project Owner may rent the non-residential space for any use that is not a disallowed use under the Lease (the Lease includes 40 excluded uses).
9. *Rental of Residential Units.* As previously noted, for the first four years, the Project Owner must rent to College Affiliated Occupants, and commencing in fifth lease year, may rent to non-College Affiliated Occupants under the conditions permitted in the Lease.
10. *Repair and Maintenance of Leased Premises and Improvements.* The Project Owner will be responsible for maintaining the leased premises and the leasehold improvements.
11. *Sub-Master Lease.* The Project Owner may master lease the facility to a non-profit entity to satisfy the real estate tax exemption requirements under the Act.
12. *Security.* The Project Owner will provide the following security:
  - a. *Payment of Contractors and Suppliers.* The Project Owner will provide an \$18 million payment bond, which represents 83% of the total construction amount.
  - b. *Completion Guaranty.* The personal guarantee of Robert M. Kaye as security for the Project's completion.
  - c. *Subcontractor Default Insurance Program.* Turner will ensure that in the event of default by any subcontractor, funds will be available for all work to continue according to the project schedule.
13. *Financing.* The Project Owner will obtain financing (estimated) as follows:
  - a. *Construction and Permanent Financing.* The Project Owner will obtain conventional bank financing in the amount of ±\$22 million.
  - b. *Furniture Lease.* The Development will include a fixture, furniture and equipment lease in the amount of ±\$540,000.

c. *Equity.* The Project Owner will contribute equity of ±\$4 million.

*Partner's Experience and Qualifications*

The Guidelines call for an assessment of the experience and qualifications of the development partner and its team.

*A. Project Owner*

Established by Robert M. Kaye, the PRC Group of Companies (the "PRC Group" or "Group") has extensive experience in commercial and residential development, construction and management. In business for more than 50 years, the following chart summarizes some of PRC's projects:

| <b>Units</b>       | <b>Role</b>           | <b>Units</b> | <b>TDC</b>           |
|--------------------|-----------------------|--------------|----------------------|
| Apartments         | Own & Manage          | 1,949 Units  | \$101,150,000        |
| Condos & Townhomes | Joint Venture; Manage | 318 Units    | \$50,005,000         |
| Apartments         | Construction Only     | 48 Units     | \$19,440,000         |
| Office Buildings   | Own & Manage          | 339,200 SF   | \$34,270,000         |
| Office Warehouse   | Own & Manage          | 84,000 SF    | \$6,700,000          |
| Commercial         | Own & Manage          | 4,200 SF     | \$840,000            |
|                    |                       |              | <b>\$212,405,000</b> |

The Group provides full real estate services; it can own, develop, construct and manage the real estate projects that the Group undertakes. In this instance, the PRC Group will create a single purpose entity to own the leasehold improvements and it will provide management services to the Development.

*B. Feinberg & Associates, P.C.*

With over 20 years of architectural experience, Feinberg & Associates has provided services in planning and designing two "town centers" – Washington Town Center, Robbinsville (550 residential units over 100,000 SF of retail and office space); Livingston Towne Center, Livingston (24 condominiums, 156 space garage, 25,000 SF retail). The firm also provided architectural services on Phase 1 of the Town Center.

*C. Turner Construction Company.*

Turner Construction Company will be the general contractor for the Project. Turner has \$9 billion in annual construction revenue and a DPMC classification for general construction in the aggregate of \$999.9 million and a bonding capacity of \$6.5 billion.

*D. Capstone Companies, LLC*

The Project Owner intends to contract with The Capstone Companies LLC (“Capstone”) to manage the student housing operations of the Project. Capstone is based in Birmingham, Alabama and has extensive experience managing student housing communities. Capstone is also serving as the student housing consultant and prepared the student housing market analysis.

*E. CBRE/Fameco Real Estate, LP*

In business since 1992, Fameco specializes in commercial retail and the shopping center industry. The firm provides tenant and landlord representation, property management and investment services. In 2013, Fameco merged with CBRE, which created a synergy between CBRE’s global platform and Fameco’s specialized retain expertise. The firm will provide brokerage services for the commercial space.

Staff concludes that the Project’s development team has sufficient experience to own, develop, construct, operate and maintain the Development.

*Project Financing and Feasibility*

*A. Sources and Uses of Funds*

The project’s development budget, construction costs and developer’s compensation are within the existing market conditions (taking into account prevailing wage) to develop a mixed use project of this type. The following chart summarizes the project’s uses and sources:

| <b>Uses of Funds</b>    |                     | <b>% Project</b> |
|-------------------------|---------------------|------------------|
| Acquisition             | \$0                 | 0.00%            |
| Improvements            | \$21,284,384        | 80.17%           |
| Professional Services   | \$549,360           | 2.07%            |
| Financing & Other Costs | \$1,986,005         | 7.48%            |
| Contingency             | \$270,368           | 1.02%            |
| Development Fee         | \$2,458,113         | 9.26%            |
| <b>TOTAL</b>            | <b>\$26,548,230</b> | <b>100.00%</b>   |

| <b>Sources of Funds</b> |                     | <b>% Project</b> |
|-------------------------|---------------------|------------------|
| Loan                    | \$22,000,000        | 82.87%           |
| Equity                  | \$4,008,230         | 15.10%           |
| FF&E Lease              | \$540,000           | 2.03%            |
| <b>TOTAL</b>            | <b>\$26,548,230</b> | <b>100.00%</b>   |

The lender, a consortium of banks, has agreed to lend up to 75% of the Project's stabilized value; during the loan term, the consolidated operating proforma of Phase 1 and 2 must maintain a 1.25 debt service coverage ratio, based on a 5.5% rate and 30 year amortization.

The consortium of banks are using the provided vacancy (2% for residential) and estimated loan rates and amortization (4.75% with 30 year amortization) for the first 12 years, and for the refinancing in Year 13 of operations (6.5% with a 20 year amortization). The proforma does not assume any income from the potential pad site. The new loan terms fall within the current underwriting conditions which includes lower loan to value and higher debt service coverage requirements for projects of this type. The Project Owner provided a consolidated operating proforma of Phase 1 and 2 showing that Phase 1 and 2 collectively will maintain a 1.25 debt service coverage ratio for the term of any outstanding debt.

### *B. Market Study*

The Applicant commissioned a mixed used development study which was prepared by Jones Lang LaSalle ("JLL") in 2010. This report concluded that the Applicant has a population of approximately 3,340 students that could possibly use campus housing. Many of the students not living in existing campus dorms live in apartments within 5 miles of the Applicant's campus. Off campus rents for a 2 bedroom apartment averaged \$1,195 month or \$14,340 annually (\$597.50 per bed per month or \$7,170 per bed annually). At the time of the JLL report, the Applicant's room charges were (\$3,619 per semester or \$7,238 per year). Based on an updated analysis of student housing, prepared by HFF, current market conditions show that the off-campus rents are \$828 per month (excluding electricity and furnishings), and current on-campus average rents are \$1,130 per room per month (including mandatory meal plans). The proposed rent per bed for the Development, \$1,132 per month, is comparable to the existing on campus rent for a unit that will provide greater amenities and features (no shared bedrooms, private or semi-private bath, full kitchens, central living/eating quarters, private washer and dryers and separate HVAC controls) than the existing on-campus dorm unit.

In 2011, Capstone performed an evaluation of the Applicant's student housing needs and concluded that there is an immediate need for an additional 400 beds, and that a project of up to 600 beds could be viable. The existing Campus Town Center, with the addition of the proposed development of Buildings 8 and 9, fall within the 600 bed need identified by Capstone; the firm has confirmed that it currently stands by the findings in its 2011 report.

In 2010, JLL found that the closest retail venue to serve the Applicant's campus is on Olden Avenue which has a variety of mixed uses (local shops, car dealerships, strip malls) and is approximately 2 miles away from the campus. In addition, the venue is not pedestrian friendly. JLL surveyed the existing conditions for rents and commercial uses in the surrounding market and found that the rents averaged \$17 SF NNN for strip mall space and \$12 SF NNN for stand-

alone space. The report proposed two alternative retail mixes for the Development between 105,000 and 109,000 SF.

In 2011, Fameco updated the rental rate survey and concluded that rents are between \$17 and \$20 SF, depending upon the use. A majority of the proposed rents for the retail in this Development fall within this range. In addition, the Development includes 78,000 SF of retail, which is within the square footage proposed by JLL.

Fameco now believes that the current retail rental rates are between \$17 and \$23 SF NNN. The Phase 1 initial retail rent projections had a weighted average rate of  $\pm$ \$21.50 SF NNN. The actual Phase 1 retail rentals have a weighted average rent of \$21.11 SF NNN, and the Project Owner estimates that the balance of the retail space will rent for \$21 SF NNN. The Project current and future retail rentals are within Fameco's projected rates.

#### *Long-Range Maintenance Plan*

The Applicant submitted a long-range maintenance plan which included standards for the calculation of funds for replacement over the useful life of the Project, detail for the initial calculation of need for replacement funds (e.g., estimated items, useful life, replacement costs, quantity and total costs), estimated the total amount required, and provided a schedule for use of the replacement reserve over the life of the Project.

The Project Owner will pay for long-range maintenance items from the reserve required by the Lease, retained earnings, and refinancing proceeds; staff concludes that the Project Owner has sufficient capital to meet the Project's capital replacement needs during the Lease term.

The plan submitted complies with industry standards for replacement reserve accounts and capital maintenance plans and the long-range maintenance guidelines prepared by the Authority's consultant and adopted by the Authority. Accordingly, staff concludes that Applicant has submitted an adequate revised long-range maintenance plan for the Project.

After reviewing the project's budget, operating proforma, market studies, and supporting information, the Real Estate Division's staff has assessed the soundness of the financial plan and concludes the Project is financially feasible and that there is a need for the Project. Staff concludes that the Project's revised development cost and projected operating expenses are reasonable and within current market conditions.

#### *DPMC Classification*

The Division of Property Management and Construction within Treasury has classified Turner Construction under general construction, design build, and historical restoration for approximately \$.99 billion with a bonding capacity of \$600 million.

*The College of New Jersey*

*Higher Education Public Private Partnership Program*

*Campus Town Center Phase 2: Buildings 8, 9 and 2,362 SF Commercial Pad Site*

*Page 15*

*Other Requirements of the Act*

In accordance with the requirements of the Act, the applicant has produced evidence and has certified to comply with the following requirements of the Act:

- *Prevailing Wage.* The private partner will pay prevailing wage as required by the Act (“Each worker employed in the construction, rehabilitation, or building maintenance services of facilities by a private entity that has entered into a public-private partnership agreement with a State or county college . . . shall be paid not less than the prevailing wage rate”)
- *Project Labor Agreement.* The private partner will enter into the required project labor agreements during the construction, operation, and long-range maintenance of the Project (the Applicant included a sample agreement in its submission)
- *Bond.* As noted previously, the Project Owner will post the required payment bond or have the bond posted on its behalf

*Recommendation*

Staff recommends that the Board give final approval of the application subject to the following conditions being met to the satisfaction of appropriate staff (e.g., Chief Executive Officer, President and Chief Operating Officer, Senior Vice President of Finance and Development, or the Director of the Estate Division):

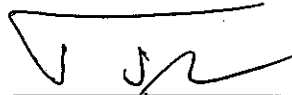
1. Submitting, in final form, the development and operating budget (substantially the same as the documents reviewed by the Authority)
2. Submitting, in final form, project labor agreements for the construction and contracts to implement the long-range maintenance plan, which to the greatest extent possible enhances employment opportunities for individuals residing in the county of the project's location
3. Submitting, in final and satisfactory form, posted bonds guaranteeing prompt payment of moneys due to the contractor (and/or subcontractors)
4. Submitting a copy of the financial commitments for the Project:
  - a. construction and permanent loan commitments (with terms substantially similar to those provided in the Application)
  - b. current financial statement (not more than 3 months old) evidencing the availability of equity funding

5. The proposed commercial development site, under the conditions outlined in this memo, must be subleased to a subtenant which sublease shall require that the development of the site be completed by the subtenant within 5 years of the date Authority staff issues a letter stating that the conditions in this memo are met
6. Submitting quarterly reports through the end of construction
7. Submitting other items (such as final forms of financial documents) that the Applicant must provide in order to obtain the Authority's final approval

The Applicant **shall not** permit the Project Owner to commence construction of Phase 2 until Authority Staff receives and reviews the requested items listed above and the Authority Staff issues a letter stating that conditions in this memo are met.

**Recommendation**

In summary, I ask for the Members to authorize the Authority's staff to approve the project upon meeting the conditions outlined in this memo.



---

Timothy J. Lizura  
President and Chief Operating Officer

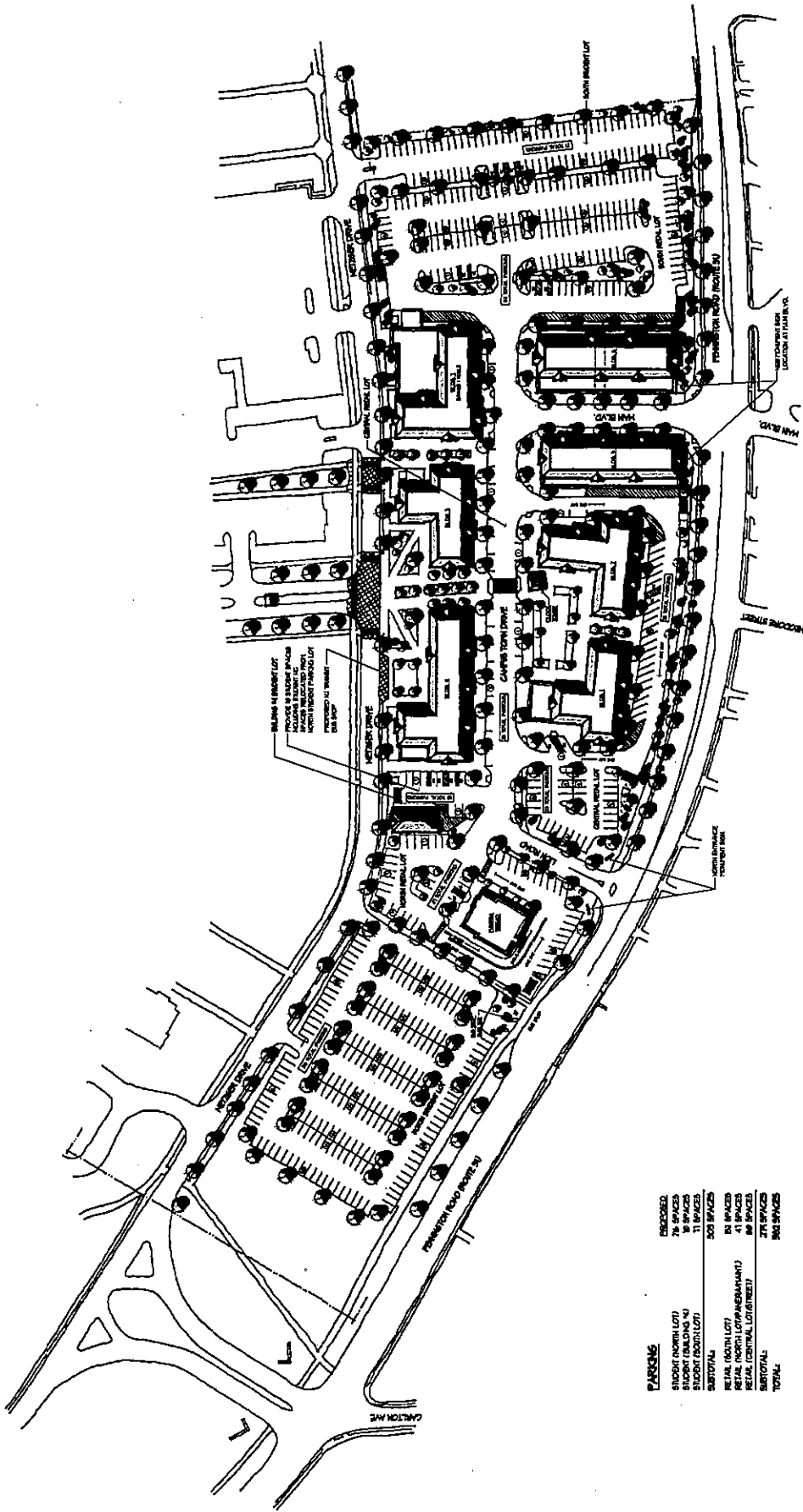
Prepared by: Juan Burgos



**EXHIBIT A:**

**CAMPUS TOWN CENTER SITE PLAN WITHOUT AND WITH  
BUILDINGS 8, 9 AND THE COMMERCIAL PAD SITE**

*The College of New Jersey  
Higher Education Public Private Partnership Program  
Campus Town Center Phase 2: Buildings 8, 9 and 2,362 SF Commercial Pad Site*



| PARKING                     |            |
|-----------------------------|------------|
| STREET (NORTH LOT)          | DECREASED  |
| 76 SPACES                   | 76 SPACES  |
| STREET (SOUTH LOT)          | 31 SPACES  |
| 31 SPACES                   | 31 SPACES  |
| SUBTOTAL                    | 107 SPACES |
| RETAIL (FOOTING LOT)        | 84 SPACES  |
| RETAIL (CENTRAL LOT/TWENTY) | 276 SPACES |
| SUBTOTAL                    | 360 SPACES |
| TOTAL                       | 467 SPACES |



SITE PLAN  
SCALE: 1" = 40'-0"

# PRC Campus Centers, LLC.

The College of New Jersey

NJ E.D.A. SUBMISSION  
WITHOUT BUILDINGS 0 & 9

◇ CAMPUS TOWN TCNJ ◇  
EDINBURG, NEW JERSEY

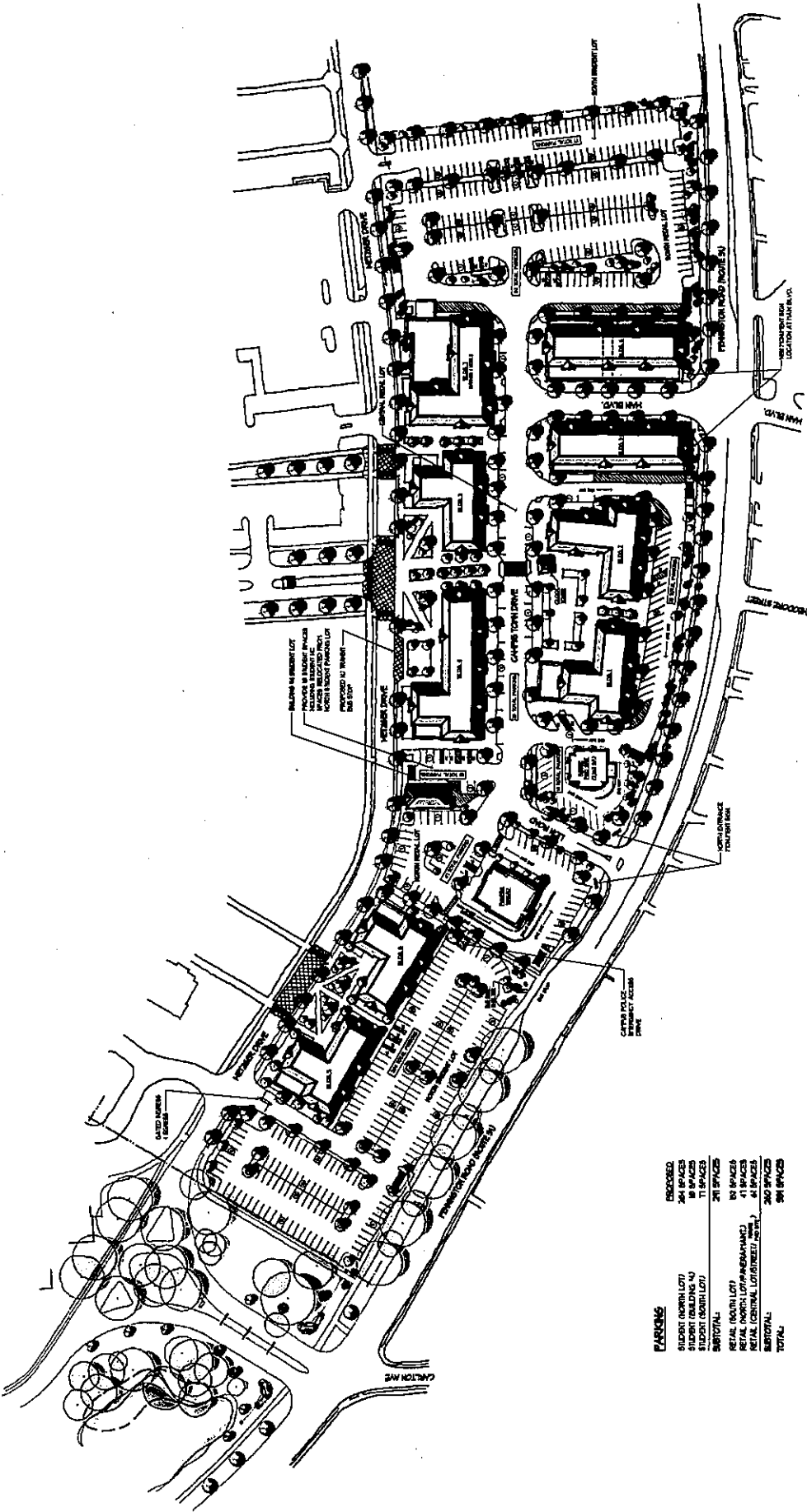
SCALE: 1" = 40'-0"

DATE: 10/20/04  
REVISED: 10/20/04  
DATE: 10/20/04  
DATE: 10/20/04  
DATE: 10/20/04

SP-1

FEINBERG ASSOCIATES P.C.  
ARCHITECTURE/SITE DESIGN/INTERIOR DESIGN

One Elizabeth Plaza - 277 Laurel Road - Suite 201 - Newark, NJ 07102  
Tel: 973.262.0100 Fax: 973.262.0110  
www.feinbergpc.com



| PARKING                          |                   |
|----------------------------------|-------------------|
| STUDENT CENTER LOT               | 264 SPACES        |
| STUDENT BUILDING 40              | 11 SPACES         |
| STUDENT CENTER LOT               | 211 SPACES        |
| <b>SUBTOTAL</b>                  | <b>486 SPACES</b> |
| RETAIL CENTER LOT                | 41 SPACES         |
| RETAIL CENTER BUILDING           | 41 SPACES         |
| RETAIL CENTER LOT (STREET FRONT) | 41 SPACES         |
| <b>SUBTOTAL</b>                  | <b>123 SPACES</b> |
| <b>TOTAL</b>                     | <b>609 SPACES</b> |

**SITE PLAN NORTH**  
SCALE: 1" = 40'-0"

**PRC Campus Centers, LLC.**

The College of New Jersey

**NJ E.D.A. SUBMISSION**  
WITH BUILDINGS 8 & 9

**CAMPUS TOWN @ TCNJ**    
EDINBURG, NEW JERSEY

SCALE: 1" = 40'-0"  
DATE: 10/20/11  
DESIGNED BY: JON REY, AIA  
DRAWN BY: JON REY, AIA  
CHECKED BY: JON REY, AIA  
DATE: 10/20/11

**SP-2**

**FEINBERG ASSOCIATES P.C.**

ARCHITECTURE/SITE DESIGN/INTERIOR DESIGN  
One Eichen Plaza • 227 Laurel Road • Suite 201 • Swarthmore, NJ 08854  
Tel: 908.761.2200 • Fax: 908.761.2205  
www.feinbergpa.com



NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

## MEMORANDUM

**TO:** Members of the Authority

**FROM:** Timothy J. Lizura  
President and Chief Operating Officer

**RE:** Higher Education Public Private Partnership Program - New Jersey City University (NJCU)  
NJCU's West Campus History and Return on Investment

**DATE:** September 10, 2015

### Summary

New Jersey City University's present value (PV) investment of ±\$53 million and Higher Education Public Private Partnership Program private investment of ±\$288 million in the West Campus may fulfill NJCU's goals to develop a campus neighborhood that includes student dormitories, market rate apartments, and retail that will serve the college's students, faculty and staff, and residents of the NJCU neighborhood, and to obtain a positive PV return of approximately ±\$99 million.

### West Campus History and Development Plans

In the 1970's, NJCU started acquiring the ±21.3 acres of the West Campus, former industrial land subject to extensive environmental remediation by Honeywell and NJCU, which has the following boundaries: Route 440 to the North, Carbon Place to the East, South Road to the West, and West Side Avenue to the South.

In 2005, the City of Jersey City adopted the West Campus Redevelopment Plan that incorporated the college's West Campus vision as it is summarized in NJCU's Facilities Master Plan:

The University intends for the West Campus to be more than a typical college campus. It will also be a place for city residents to work, shop and live. When fully developed, the project will include a significant amount of retail space, structured parking, student as well as market-rate housing, academic teaching spaces, academic offices, a performing arts center, and primary and secondary schools.

The current site plan for the West Campus includes the following public private partnership developments:

- A student dormitory (currently under construction)
- 581 market rate apartments, ±50,000 SF ground floor retail, and 620 parking spaces (which includes this Project)
- A supermarket, fitness center, ±650 structured parking spaces, a rooftop restaurant and tennis courts.

NJCU also plans to develop the Center for Music, Dance and Theatre. The 104,000 SF Center will include a 250 seat recital hall, 100 seat lecture hall, classrooms, offices and practice rooms. The college may develop other academic buildings on the West Campus if student demand will support the investment.

MAILING ADDRESS: | PO Box 990 | TRENTON, NJ 08625-0990

SHIPPING ADDRESS: | 36 WEST STATE STREET | TRENTON, NJ 08625 | 609.858.6700 | e-mail: njeda@njeda.com | www.njeda.com

## NJCU's Return on Investment in the West Campus

### *A. NJCU's Investment in the West Campus*

Since the 1970's, NJCU has invested ±\$42.04 million in the West Campus as follows:

|                              |              |
|------------------------------|--------------|
| Land Acquisition             | \$10,563,000 |
| Environmental Remediation    | \$23,278,000 |
| Infrastructure Related Costs | \$8,197,000  |
|                              | <hr/>        |
|                              | \$42,038,000 |

The present value of NJCU's West Campus investment, using a 4% discount rate, is ±\$54.133 million.

### *B. NJCU's Projected Revenue from the West Campus*

For approximately the next 50 years, NJCU estimates it will receive ±\$153.74 million, PV using a 4% discount rate, from the public private partnerships projected ground rents, net project income, and NJCU's parking revenue. The 50-year present value of the cash flows is summarized in the following table:

| <b>Project Owner</b>   | <b>Project Description</b> | <b>Private Investment</b> | <b>Cash Flow Description</b> | <b>NPV of Revenue</b> |
|------------------------|----------------------------|---------------------------|------------------------------|-----------------------|
| RISE                   | Dormitories                | \$49,380,000              | 40 Yrs. Net Cash             | \$76,351,000          |
| Crossroad Companies    | Apartments & Retail        | \$58,120,000              | 50 Yrs. Ground Lease         | \$19,414,000          |
| Claremont Construction | Apartments & Retail        | \$96,830,000              | 50 Yrs. Ground Lease         | \$24,673,000          |
| KKF University Group   | Retail & Parking           | \$83,420,000              | 50 Yrs. Ground Lease         | \$21,351,000          |
| NJCU                   | Parking                    |                           | 50 Yrs. Revenue              | \$11,947,000          |
|                        | <b>Total Revenue</b>       | <b>\$287,750,000</b>      |                              | <b>\$153,736,000</b>  |

### *C. NJCU's Return on Investment*

NJCU's estimates the present value return on investment will be ±\$99.6 million, calculated as follows:

|                                    |               |
|------------------------------------|---------------|
| Total Net Present Value of Revenue | \$153,736,000 |
| -NJCU's Present Value Investment   | \$54,133,000  |
|                                    | <hr/>         |
| =PV Return on Investment           | \$99,603,000  |

Using NJCU's present value investment of ±\$54.133 million, and the 50-year annual cash flows from the ground rents, net project cash flow, and parking revenue, the college projects the internal rate of return of ±9%.

## Conclusion

If the West Campus Public Private Partnership developments perform as projected, NJCU will achieve a positive return on investment and the developments will enrich student life and the academic experience at the college, and improve the quality of life of the NJCU neighborhood residents.

Prepared by: Juan Burgos



## MEMORANDUM

**TO:** Members of the Authority

**FROM:** Timothy J. Lizura  
President and Chief Operating Officer

**RE:** Higher Education Public Private Partnership Program  
New Jersey City University  
West Campus Blocks 2 and 3 (Claremont Construction Group, Inc.)

**DATE:** September 10, 2015

### Summary

The Members are asked to approve New Jersey City University's ("Applicant") application to develop a mixed use development, in two phases, that will include 330 market rate apartments, 21,250 square foot commercial space, and 243 structured parking spaces ("Project" or "Development"), on approximately  $\pm 2.6$  acres on the Applicant's campus under the Higher Education Private Public Partnership Program (the "Program") established by P.L. 2009, c. 90, as amended (the "Act"). The Project's total development cost will be approximately  $\pm \$96.83$  million. The Applicant currently owns the  $\pm 2.6$  acres. Under the Act, the "Authority shall review all completed applications" and "[n]o project shall be undertaken until final approval has been granted by the [A]uthority." N.J.S.A. 18A:64-85.f(3). Staff performed a substantive review of the application and supporting documentation in accordance with the Act and pursuant to the Authority's Higher Education Institution Public-Private Partnership Program Guidelines (the "Guidelines") and recommends approval of the Applicant's Project. The Authority's approval will be subject to the Applicant submitting additional items that are outlined below.

## **Background**

### *The Authority's Scope of Review*

Under the Program, the Authority must review and approve an application, which, in order to be complete, must contain the following items:

1. a full narrative description of the project
2. a public-private partnership agreement between the state or county college and the private developer
3. a land lease or land agreement
4. financial information including the estimated costs and financial documentation for the project
5. a detailed project schedule (i.e. timetable) for completion of the project extending no more than five years after consideration and approval
6. DPMC classification information for the required contractors and/or subcontractors
7. evidence of arrangements for entering into project labor agreements and paying prevailing wages as required by the Act
8. evidence of arrangements for issuance of the required bonds

The financial documentation shall include a long-range maintenance plan that will "specify the expenditures that qualify as an appropriate investment in maintenance." In addition, the Authority may impose "other requirements that the [A]uthority deems appropriate or necessary."

Within the Act's deadline, the Applicant submitted a complete application for the Project with adequate exhibits and supporting documentation which included an adequate form of the Ground Leases and Project Development Agreements which serve as the partnership agreement for this Project. Real Estate Division Staff deemed the application complete.

The Act requires that any project undertaken through the Program must be financed in whole by the private entity. Staff has reviewed the project documents to confirm that the private partner assumes full financial and administrative responsibility for the construction of the Project and that the Applicant has no financial responsibility for the construction of the Project. The Act also requires that the State or institution of higher education must retain full ownership of the land upon which any project undertaken through the Program. Staff has reviewed the Project documents to confirm that the Applicant will retain full ownership of the land where the Project will be developed.

*Project Description and Schedule*

*A. West Campus Development Plan*

*1. Overview*

The Applicant's Facilities Master Plan outlines the university's planned expansion on the West Campus. In 1970's, the Applicant started the process to acquire ±21.3 acres, former industrial land, which is bounded by Route 440 to the North, Carbon Plan to the East, South Road to the West, and Wes Side Avenue to the South. In 2005, Jersey City adopted the West Campus Redevelopment plan, which incorporates the Applicant's vision:

The University intends for the West Campus to be more than a typical college campus. It will also be a place for city residents to work, shop and live. When fully developed, the project will include a significant amount of retail space, structured parking, student as well as market-rate housing, academic teaching spaces, academic offices, a performing arts center, and primary and secondary schools.

*2. West Campus Environmental History*

Honeywell remediated the chromium related contamination on the property, which is the subject of a consent decree and deed restrictions. Additionally, the Applicant recently remediated non-chromium contamination that was discharged on portions of the property, which is also subject to a deed restriction.

*3. West Campus Site Plan*

The Applicant's current West Campus Master Plan, which is attached as Exhibit A, includes:

- A performing arts center
- student dorms (currently being developed as a public private partnership between the Applicant and RISE, formerly known as Ambling University Development Group)
- 581 market rate apartments, ±50,000 SF ground floor retail, and 620 parking spaces (which includes this Project), and
- A supermarket, fitness center, ±650 structured parking spaces, a rooftop restaurant and tennis courts.

*B. Blocks 2 and 3*

In December 2014, The Applicant issued a Request for Qualifications to design, develop, construct, manage a mixed-use building, including apartments and commercial space, on Block 2 and 3 of the West Campus. Eight development teams responded to the RFQ.

In April 2015, the Applicant issued, to the shortlisted RFQ respondents, a Request for Proposals to design, develop, construct, manage, a mixed use residential and commercial project on Blocks



2 and 3. Two parties responded to the RFP, and a result of the process, the Applicant selected Claremont Construction Group, Inc. to finance, plan, design, construct, operate and maintain a mixed-use development on Blocks 2 and 3. In June 2015, the Applicant's Board of Trustees approved the Claremont Construction Group, Inc. as the private partner to develop the Project under the Act and authorized the appropriate officials of the Applicant to negotiate and execute documents to consummate the transaction.

Claremont Construction Group, Inc., will create 2 single purpose entities, Claremont West Campus Urban Renewal I, LLC ("Block 2 Owner") and Claremont West Campus Urban Renewal II, LLC ("Block 3 Owner") (collectively "Project Owners"), that will enter into a ground leases and development agreements with the Applicant. The Project Owners will own, finance, develop, construct, and manage the improvements.

In the spring of 2016, the Block 3 Owner will commence construction on Phase 1; in the summer of 2017, the Block 2 Owner will start construction on Phase 2. The proposed Development will include 330 market rate apartments, 21,520 SF of commercial space, and 243 structure parking spaces allocated as follows:

| Phase 1: Block 3<br>Residential Units |            |               |              |
|---------------------------------------|------------|---------------|--------------|
| Unit Type                             | Units      | Avg. SF       | Monthly Rent |
| Studio                                | 35         | 647           | \$1,807.25   |
| 1 BR                                  | 104        | 817           | \$2,109.49   |
| 2 BR                                  | 24         | 1,150         | \$2,731.25   |
| 3 BR                                  | 0          |               | \$0.00       |
| <b>Total</b>                          | <b>163</b> |               |              |
| Retail Space                          |            |               |              |
|                                       | SSF Rent   | SF            | Annual Total |
| Tenant 1                              | \$28.00    | 10,048        | \$281,344    |
| <b>Total</b>                          |            | <b>10,048</b> |              |

| Phase 2: Block 2<br>Residential Units |            |               |              |
|---------------------------------------|------------|---------------|--------------|
| Unit Type                             | Units      | Avg. SF       | Monthly Rent |
| Studio                                | 44         | 675           | \$1,914.23   |
| 1 BR                                  | 86         | 925           | \$2,376.84   |
| 2 BR                                  | 31         | 1,200         | \$2,671.50   |
| 3 BR                                  | 6          | 1,300         | \$3,228.06   |
| <b>Total</b>                          | <b>167</b> |               |              |
| Retail Space                          |            |               |              |
|                                       | SSF Rent   | SF            | Annual Total |
| Tenant 1                              | \$25.00    | 5,780         | \$144,500    |
| Tenant 2                              | \$35.00    | 3,286         | \$115,010    |
| Tenant 3                              | \$35.00    | 2,406         | \$84,210     |
| <b>Total</b>                          |            | <b>11,472</b> |              |

|                          |                |
|--------------------------|----------------|
| <b>Total Apartments</b>  | <b>330</b>     |
| <b>Total Retail SF</b>   | <b>21,520</b>  |
| <b>Total Square Feet</b> | <b>484,320</b> |

The Project will include 2 buildings with 6 stories each, allocated as follows:

- First Floor: residential entrance, commercial retail and parking
- Second Floor: structured parking
- Third through Sixth Floors: luxury residential apartments.

*C. Estimated Job Creation*

The Project Owners estimate that the Project will create 900 construction jobs and 100 permanent jobs (residential and commercial combined).

*D. Encouraging Green Building*

The Act encourages projects to adhere to the Leadership in Energy and Environmental Design (“LEED”) Green Building Rating System and/or the NJ Green Building Manual. The Project Owners have agreed to incorporate the following green building design components into the Project:

- Efficient units layouts reducing heating and cooling loads
- Development close to mass transit with less dependency on vehicular traffic
- Locally sources and/or recycled building materials
- Energy Star appliances
- Low VOC paints and finishes
- Low flow plumbing fixtures.

*E. Project Schedule*

The Applicant provided a schedule to complete the two phases of the Development by the end of August 2018. This end date complies with the requirement of the Act that projects be completed within 5 years of the Authority’s approval date.

In accordance with the Guidelines, staff reviewed the Applicant’s description of the Project, its design, and project schedule. Staff concludes that the Applicant has proposed a feasible project plan and design, and that the Applicant has proposed a schedule that will meet the Act’s five year completion deadline.

*Summary of the Partnership Documents*

The Applicant and each Project Owner will enter into a lease and development agreement for each phase of the Project. The documents are the substantially similar, except for items specific to each development phase.

The parties' roles, responsibilities and benefits in the Project are summarized below:

*A. Applicant*

1. *Lease Term.* The Applicant will lease the property for a 50 year term, commencing on Term Commencement Date, which the parties will select by executing a written agreement. The Applicant has provided the Project with one 25 year option term under the Lease.

2. *Initial Payment and Rent.* The Applicant will receive rent payments as follows:

| Milestone  | Payment  |
|--|--|
| Block 3 Initial Payment at lease execution   | 1% of total development cost, or \$464,023.07  |
| Block 2 Initial Payment at lease execution   | 1% of total development cost, or \$504,260.69  |
| Starting on the Rent Commencement Date   | \$2,500 per apartment unit (with a minimum amount of \$2,100 per apartment unit) plus \$1.75 per SF of occupied and rented commercial retail space   |
| Upon the 5th Anniversary of receipt of the Certificate of Occupancy and Every 5th Anniversary Thereafter | Increase the prior 12 months rent by the lesser of: (a) percentage increase of the "Consumer Price Index for New York/New Jersey All Urban 1982-84=100" for the preceding 5 years; or (b) 7.5% |

The average lease payment during the term is to be \$1.397 million. The present value of the lease payments, using a 4% discount rate, is currently estimated to be \$24.673 million.

If the Members pass a resolution approving the Project prior to October 1<sup>st</sup>, the Initial Payment will be refundable if the Project Owner provides notice that the Project "is unacceptable" after performing investigatory activities. If the Members pass a resolution approving the Project after October 1, 2015, the Initial Payment will be non-refundable.

3. *Utilities and Approvals.* Applicant will cooperate with the Project Owner to file utility applications and "documents necessary to obtain" utility services.

4. *Sell or Assign the Property.* Subject to the terms of the Lease and the Act's requirements, the Applicant may sell or assign the Property.

5. *Quiet Enjoyment.* The Applicant agrees that during the lease term, the Project Owner “shall lawfully and quietly hold, occupy and enjoy the Premises . . . without hinderance or molestation by or from anyone claiming by, through or under the [Applicant],” except for Permitted Exceptions.
6. *Right to Perform Project’s Owner’s Lease Covenants.* The Applicant may, after providing the required notice and the Project Owner has failed to perform, “pay any Imposition . . . take out, pay for, maintain or deliver any [required] insurance, . . . cause any lien . . . to be discharged. . . , or perform any other act” required by the Lease.
7. *Environmental Issues.* The Applicant “shall comply with all requirements related to the ongoing and larger site wide remediation of the [West Campus] and shall enforce all such obligations of responsible parties” as noted in the Development Agreement.
8. *Change Orders.* The Applicant will review and approve the Project change orders.
9. *Other Work.* The Applicant may perform “other work” on the West Campus, so long as it does not “materially interrupt, interfere with, hinder or delay” the Project.
10. *Ownership of Improvements at End of the Term.* At the end of the Lease term, Applicant is entitled to all the improvements (excluding trade fixtures and business improvements not part of the Project) free and clear of all liens.

*B. Project Owner*

1. *Rent and Impositions.* The Project Owner will pay the initial payment, the fixed rent, and any required impositions.
2. *Obtain Required Approvals and Utility Services.* The Project Owner must obtain all required approvals and required utility services for the Project.
3. *Design and Construction.* The Project Owner will be responsible for the design, development, construction, equipping and furnishing the Project as required by the Development Agreement and the Lease.
4. *Development Team.* The Project Owner will be responsible for the hiring, supervising and compensating the design, construction and other professionals necessary to develop the Project.

5. *Project Financing.* At its sole cost and expense, the Project Owner will be responsible for the Project budget and financing the Project's development and construction.
6. *Project Schedule.* The Project Owner will be responsible for delivering the Project within the time frame of the approved project schedule.
7. *Environmental Issues.*
  - a. *No Discharge.* During the term of the Lease, the Project Owner "shall not permit . . . any Person to, use, handle, store, generate, manufacture, transport, discharge or release any Hazardous Materials" on the property.
  - b. *Compliance with Environmental Laws.* The Project Owner agrees to comply with all applicable environmental laws.
8. *Utility Service.* The Project Owner will be responsible for all utility charges at the site.
9. *Indemnification.* The Project Owner agrees to indemnify, defend and hold harmless the Applicant "arising . . . in connection" with the Project Owner's "possession, use, occupancy or management" of the Project.
10. *Bond and Insurance.* The Project Owner will obtain insurance require by the Lease and bonds required by the Development Agreement.

*Partner's Experience and Qualifications*

The Guidelines call for an assessment of the experience and qualifications of the development partner and its team.

*A. Project Owners*

Established in 1954, Claremont Properties, Inc., and Claremont Construction Group, Inc., have developed over 2,000 residential units and 1 million SF of commercials space totaling over \$.5 billion. Claremont Properties will serve as each Project Owner's developer and Claremont Construction will serve as each the Project Owner's general contractor.

The following chart provides a sample of Claremont's work:

| <b>Project</b>  | <b>Description</b>                       | <b>Dev. Cost</b>     |
|---|--|----------------------|
| Residential Apartments & Parking Structure, South Orange NJ | 215 residential units                    | \$50,000,000         |
| NJIT Parking Deck   | 982 parking spaces                       | \$20,000,000         |
| Baxter Terrace, Newark, NJ                                  | 90 residential units<br>community center | \$20,000,000         |
| Spruce Senior, Newark, NJ                                   | 57 residential units                     | \$12,250,000         |
| <b>TOTAL</b>  |  | <b>\$102,250,000</b> |

*B. Marchetto Higgins Stieve*

Established in 1982, Marchetto Higgins Stieve has significant experience in urban projects, and the firm has worked on 200 mixed use developments (residential and commercial) totaling \$4 billion in development cost.<sup>1</sup>

*C. Alliance Residential Property Management*

This property management firm, established in 2000, currently has a nationwide property portfolio (residential and commercial properties) of over \$9 billion, which includes 71,000 residential units.

Staff concludes that the Project's development team has sufficient experience to own, develop, construct, operate and maintain the Development.

*Project Financing and Feasibility*

*A. Sources and Uses of Funds*

The following chart summarizes the project's uses and sources:

|                           | <b>Phase 1<br/>Block 3</b> | <b>Phase 2<br/>Block 2</b> | <b>Total</b>        |
|---------------------------|----------------------------|----------------------------|---------------------|
| Acquisition               | \$198,283                  | \$52,500                   | \$250,783           |
| Improvements              | \$39,975,916               | \$43,529,751               | \$83,505,667        |
| Professional Services     | \$1,695,897                | \$1,244,500                | \$2,940,397         |
| Financing and Other Costs | \$3,536,240                | \$4,643,144                | \$8,179,384         |
| Contingency               | \$144,130                  | \$280,496                  | \$424,625           |
| Development Fee           | \$2,201,841                | \$2,099,282                | \$4,301,123         |
|                           | <b>\$47,752,307</b>        | <b>\$51,849,672</b>        | <b>\$99,601,979</b> |

<sup>1</sup> Id. Tab 4 at p9.

|                      | Phase 1<br>Block 3  | Phase 2<br>Block 2  | Total               |
|----------------------|---------------------|---------------------|---------------------|
| Perm Loan            | \$36,151,730        | \$39,243,154        | \$75,394,885        |
| Equity               | \$7,583,537         | \$8,122,430         | \$15,705,968        |
| Redevelop. Area Bond | \$4,017,039         | \$4,484,087         | \$8,501,126         |
|                      | <b>\$47,752,307</b> | <b>\$51,849,672</b> | <b>\$99,601,979</b> |

The Application included a letter of interest, with no stated terms, from HFF; the firm will assist the Project Owners in placing debt for the Project. Currently, the Project Owners have assumed that the initial permanent loan currently will have a 10 year term, with a 30 year amortization and 5.5% interest rate.

The Redevelopment Area Bond (RAB) will be repaid by a payment in lieu of taxes (PILOT) included in the buildings operating budgets, which starts at approximately \$497,710 for Block 3 and \$550,000 for Block 2, increasing annually at  $\pm 10\%$  percent. The development budget will capitalize the initial deposit into long-range maintenance reserve, estimated by Cohn Reznick for the Project Owners, as follows: Block 3 at  $\pm \$1.424$  million and Block 2 at  $\pm \$1.350$  million.

#### *B. Operating Proforma*

The operating proformas use low annual increases for income (2% residential, 1% all others) and expenses (1%, except for the reserve at 2% and PILOT at 10%). However, when the annual expense inflation rate is increased to 3%, the Project continues to have sufficient net cash flow to maintain a debt service coverage ratio of 1.25 even when the annual income increase assumptions are held constant.

#### *C. Market Study*

The Outeau Group prepared the Project's market study, which included the following findings:

1. *Hudson County's Percentage of Households that rent is Greater than the State Average.* The share of Hudson County households that rent is 68%, compared to 35% in the rest of New Jersey.
2. *Favorable Market Demographics.* The Project's market area has a high percentage of 1 and 2 person households (64%), households with no persons under 18 years of age (73%), households that have never married, widowed, and single head of households (66%). In addition, persons between the ages of 25 and 34 account for 23% of the market areas population. These types of households are attracted to the proposed Development.

3. *The Target Market Demographic Can Afford the Proposed Rents.* Forty-seven percent of the household within 5 miles of the Project site earn more than \$72,000 (the minimum income threshold). In addition, 52% of person between 25 and 34, and 63% of the persons between 35 and 44 have sufficient income to afford the proposed rents.
4. *Rental Units Will Continue To Be in High Demand.* The market will continue to demand rental units, requiring an additional 10,560 units by 2020.
5. *Phasing the Project will Aid in Unit Absorption.* Because the Project site is in a secondary market to accommodate a slower absorption than would be found in a project in a primary market (e.g., downtown Jersey City).
6. *Project Fosters Urban Living with Proximity and Access to Public Transportation.* The Project site is less than ½ mile from the light rail line, and Jersey City provides excellent access to various forms of public transportation (light rail, PATH, buses, and ferries) hubs Thirty-three percent of Hudson County's households do not own a vehicle.

The firm concludes that the proposed Development's unit mix and design "is well aligned to economic and demographic trends" of the target market.

#### *D. Long-Range Maintenance Plan*

The Act requires that the budget, operating proforma and financial documents submitted with an application must include a long-range maintenance plan that specifies expenditures that qualify as an appropriate investment in capital improvements and maintenance. As part of its financial documentation, the Applicant submitted a long-range maintenance plan which included standards for the calculation of funds for replacement over the useful life of the project, detail for the initial calculation of need for replacement funds (e.g., estimated items, useful life, replacement costs, quantity and total costs), estimated the total amount required, and provided a schedule for use of the reserve funds over the Project's life. The Project Owners will pay for long-range maintenance items from a capitalized reserve funded from the development budget, and operating income that also will fund the long-range maintenance reserve. Staff concludes that the Project Owner will have sufficient capital reserves to meet the Project's long-range maintenance needs during the Lease term.

The plan submitted complies with industry standards for replacement reserve accounts and capital maintenance plans and the long-range maintenance guidelines prepared by the Authority's consultant and adopted by the Authority. Accordingly, staff concludes that Applicant has submitted an adequate long-range maintenance plan for the Project.



After reviewing the project's budget, operating proforma, market study, and supporting information, the Real Estate Division's staff has assessed the soundness of the financial plan and concludes that the Project is financially feasible and that there is a need for the Development. Staff also concludes that the Project's development costs and projected operating expenses are reasonable and within current market conditions.

#### *DPMC Classification*

The Division of Property Management and Construction within Treasury has classified Claremont Construction under general construction with a contract capacity of \$153 million and a bonding capacity of \$200 million.

#### *Other Requirements of the Act*

In accordance with the requirements of the Act, the Applicant has produced evidence and has certified to comply with the following requirements of the Act:

- *Prevailing Wage.* The private partner will pay prevailing wage as required by the Act ("Each worker employed in the construction, rehabilitation, or building maintenance services of facilities by a private entity that has entered into a public-private partnership agreement with a State or county college . . . shall be paid not less than the prevailing wage rate")
- *Project Labor Agreement.* The private partner will enter into the required project labor agreements during the construction, operation, and long-range maintenance of the Project (the Applicant included a draft agreement in its submission)
- *Bond.* The private partner will post the required payment bond or have the bond posted on its behalf.

#### *Recommendation*

Staff recommends that the Board give final approval of the application subject to the following conditions being met to the satisfaction of appropriate staff for **each phase** of the Project (e.g., Chief Executive Officer, President and Chief Operating Officer, Senior Vice President of Finance and Development, or the Director of the Estate Division):

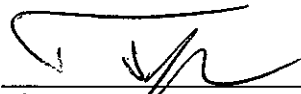
1. Providing a copy of the executed Lease and Development Agreements with attachments (excluding the plans and specifications, if applicable)
2. Submitting, in final form, the development and operating budgets in the Authority's Excel template (substantially the same as the documents reviewed by the Authority)

3. Submitting, in final form, project labor agreements for the construction and contracts to implement the long-range maintenance plan, which require not paying less than prevailing wage and to the greatest extent possible, enhances employment opportunities for individuals residing in the county of the project's location
4. Submitting, in final and satisfactory form, posted bonds guaranteeing prompt payment of moneys due to the contractor (and/or subcontractors)
5. Submitting a final copy of the Project's financing commitments:
  - a. redevelopment area bond approval resolution and final version of the bond indenture
  - b. PILOT approval resolution and the PILOT agreement
  - c. executed private financing commitment (construction and permanent loan)
  - d. if applicable, executed private equity financing commitment
  - e. current financial statement, no more than 3 months from the date of submission, of the Project Owner evidencing the equity financing for the Project
6. Submitting other items (i.e., any other document which may contain a material business term to the "partnership agreement" between the parties) that the Applicant must provide in order to obtain the Authority's final approval
7. Providing quarterly reports through the end of construction

The Applicant **shall not** permit the Project Owners to commence construction **on any phase** of the Project until the Authority's staff receives and reviews the requested items listed above and the Authority's staff issues correspondence stating that conditions in this memo are met.

**Recommendation**

In summary, I ask for the Members to authorize the Authority's staff to approve the project upon meeting the conditions outlined in this memo.



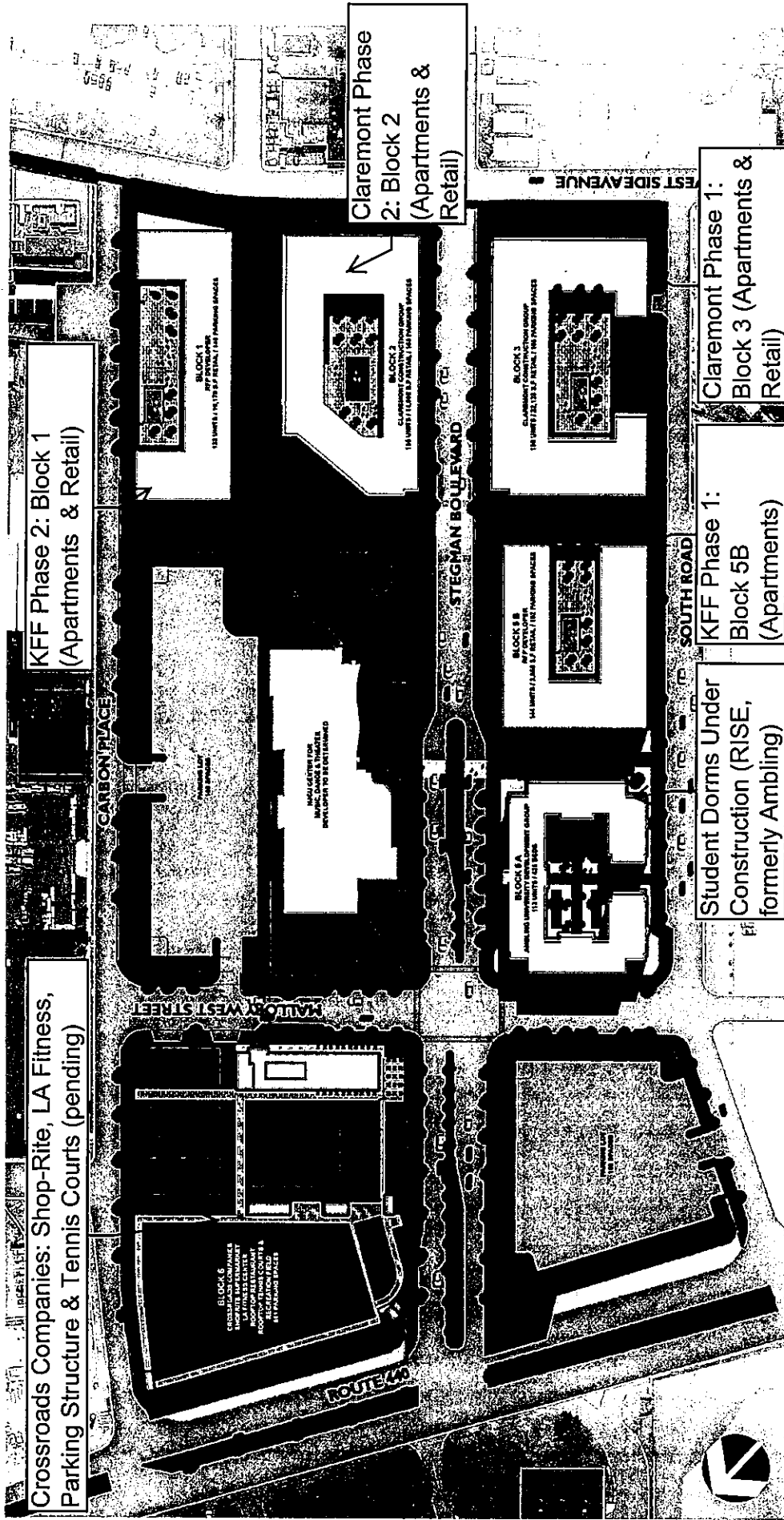
---

Timothy J. Lizura  
President and Chief Operating Officer

Prepared by: Juan Burgos

**EXHIBIT A: WEST CAMPUS SITE PLAN**

*New Jersey City University  
Higher Education Public Private Partnership Program  
West Campus Blocks 2 and 3*



# NEW JERSEY CITY UNIVERSITY

Location Jersey City, New Jersey

## WEST CAMPUS MASTER PLAN





**MEMORANDUM**

**TO:** Members of the Authority

**FROM:** Timothy J. Lizura  
President and Chief Operating Officer

**RE:** Higher Education Public Private Partnership Program  
New Jersey City University  
West Campus Blocks 1 and 5B (KKF University Enterprises, LLC)

**DATE:** September 10, 2015

**Summary**

The Members are asked to approve New Jersey City University's ("Applicant") application to develop a mixed-use development, in two phases, that will include 301 market rate apartments, 11,093 SF of commercial space, 303 parking spaces, and related residential amenities ("Project" or "Development"), on approximately ±2.25 acres on the Applicant's campus under the Higher Education Private Public Partnership Program (the "Program") established by P.L. 2009, c. 90, as amended (the "Act"). The Project's total development cost will be ±\$83.42 million. The Applicant currently owns the ±2.25 acres. Under the Act, the "Authority shall review all completed applications" and "[n]o project shall be undertaken until final approval has been granted by the [A]uthority." N.J.S.A. 18A:64-85.f(3). Staff performed a substantive review of the application and supporting documentation in accordance with the Act and pursuant to the Authority's Higher Education Institution Public-Private Partnership Program Guidelines (the "Guidelines") and recommends approval of the Applicant's Project. The Authority's approval will be subject to the Applicant submitting additional items that are outlined below.

## **Background**

### *The Authority's Scope of Review*

Under the Program, the Authority must review and approve an application, which, in order to be complete, must contain the following items:

1. a full narrative description of the project
2. a public-private partnership agreement between the state or county college and the private developer
3. a land lease or land agreement
4. financial information including the estimated costs and financial documentation for the project
5. a detailed project schedule (i.e. timetable) for completion of the project extending no more than five years after consideration and approval
6. DPMC classification information for the required contractors and/or subcontractors;
7. evidence of arrangements for entering into project labor agreements and paying prevailing wages as required by the Act
8. evidence of arrangements for issuance of the required bonds.

The financial documentation shall include a long term maintenance plan that will "specify the expenditures that qualify as an appropriate investment in maintenance." In addition, the Authority may impose "other requirements that the [A]uthority deems appropriate or necessary."

Within the Act's deadline, the Applicant submitted a complete application for the Project with adequate exhibits and supporting documentation which included an adequate form of the Ground Lease and Project Development Agreements which serve as the partnership agreement for this Project. Real Estate Division Staff deemed the application complete.

The Act requires that any project undertaken through the Program must be financed in whole by the private entity. Staff has reviewed the project documents to confirm that the private partner assumes full financial and administrative responsibility for the construction of the Project and that the Applicant has no financial responsibility for the construction of the Project. The Act also requires that the State or institution of higher education must retain full ownership of the land upon which any project undertaken through the Program. Staff has reviewed the Project documents to confirm that the Applicant will retain full ownership of the land where the Project will be developed.

*Project Description and Schedule*

*A. West Campus Development Plan*

*1. Overview*

The Applicant's Facilities Master Plan outlines the university's planned expansion on the West Campus. In 1970's, the Applicant started acquiring the ±21.3 acres, former industrial land, which is bounded by Route 440 to the North, Carbon Plan to the East, South Road to the West, and West Side Avenue to the South. In 2005, Jersey City adopted the West Campus Redevelopment plan, which incorporates the Applicant's vision:

The University intends for the West Campus to be more than a typical college campus. It will also be a place for city residents to work, shop and live. When fully developed, the project will include a significant amount of retail space, structured parking, student as well as market-rate housing, academic teaching spaces, academic offices, a performing arts center, and primary and secondary schools.

*2. West Campus Environmental History*

Honeywell remediated the chromium related contamination on the 21 acres, which is the subject of a consent decree and deed restrictions. Additionally, the Applicant recently remediated the non-chromium environmental contamination on portions of the 21 acres, which is also subject to a deed restriction.

*3. West Campus Site Plan*

The Applicant's current site plan for the West Campus, which is attached as Exhibit A, includes:

- A performing arts center
- A student dorm (currently being developed as a public private partnership between the Applicant and RISE, formerly Ambling University Development Group)
- 581 market rate apartments, ±50,000 SF ground floor retail, and 620 parking spaces (which includes this Project), and
- A supermarket, fitness center, ±650 structured parking spaces, a rooftop restaurant and tennis courts.

*B. Blocks 1 and 5B*

In May 2015, the Applicant issued a Request for Proposals to design, develop, construct, manage, and a residential and commercial project Block 1 and 5B. Thirteen firms received the RFP, however only KKF University Enterprises, LLC ("Project Owner") submitted a proposal. The Applicant selected the Project Owner to develop a mixed-use development on Blocks 1 and 5B that will include 301 apartments, 11,903 SF of commercial space, 303 parking spaces and related residential amenities. In June 2015, the Applicant's Board of Trustees approved the

Project Owner as the private partner for the Project under the Act and authorized the appropriate officials of the Applicant to negotiate and execute documents to consummate the transaction.

The Project Owner will enter into a ground leases and development agreements with the Applicant for Blocks 1 and 5B, and will own, finance, develop, construct, and manage the improvements.

The Project Owner will develop the Project in two phases as follows:

1. *Phase 1:* In the spring of 2017, the Project Owner will commence construction on Block 5B, and will complete the first phase in the winter of 2018.
2. *Phase 2:* In the spring of 2020, the Project Owner will commence construction on Block 1 in the spring of 2020, and will complete the second phase in the winter of 2021.

The proposed Development will include 301 market rate apartments, 11,903 SF of retail commercial space, 303 parking spaces, and related residential amenities allocated as follows:

| Phase 1: Block 5B Residential |            |         |               |
|-------------------------------|------------|---------|---------------|
| Unit Type                     | Units      | Avg. SF | Avg. Mo. Rent |
| Studio                        | 0          |         | \$0           |
| 1 BR                          | 120        | 705     | \$1,911       |
| 2 BR                          | 29         | 828     | \$2,721       |
| 3 BR                          | 0          |         |               |
| <b>Total</b>                  | <b>149</b> |         |               |

| Phase 2: Block 1 Residential |            |             |               |
|------------------------------|------------|-------------|---------------|
| Unit Type                    | Units      | Avg. SF     | Avg. Mo. Rent |
| Studio                       | 13         |             | \$1,544.00    |
| 1 BR                         | 108        | 633         | \$2,088.00    |
| 2 BR                         | 31         | 912         | \$2,657.00    |
| 3 BR                         | 0          |             | \$0           |
| <b>Total</b>                 | <b>152</b> |             |               |
| Phase 2: Block 1 Commercial  |            |             |               |
| Tenant                       | \$SF Rent  | Square Feet | Annual Rent   |
| TBD                          | \$36.75    | 11,903      | \$437,435.25  |

|                          |                |
|--------------------------|----------------|
| <b>Total Apartments</b>  | <b>301</b>     |
| <b>Total Commercial</b>  | <b>11,903</b>  |
| <b>Total Parking</b>     | <b>303</b>     |
| <b>Total Square Feet</b> | <b>262,286</b> |



The Project will include 3 five-story buildings allocated as follows:

Phase 1: Block 5B

- First Floor: residential entrance, fitness and yoga rooms, residential units, and structured parking,
- Second through Fifth Floors: residential units
- Pool in the courtyard

Phase 2: Block 1, Building 1A

- First Floor: residential entrance, commercial retail, property management office, residential units, and 12 parking garages
- Second through Fifth Floors: residential units
- 16 parking spaces along Carbon Place evenly divided between buildings 1A and 1B

Phase 2: Block 1, Building 1B

- First Floor: residential entrance, residential units, internet café, exercise room, and 12 parking garages
- Second through Fifth Floors: residential units
- A parking lot including 123 parking spaces accessible to residents in buildings 1A and B

*C. Estimated Job Creation*

The Project Owner estimates that the Project will create 100 construction jobs and 40 permanent jobs (residential and commercial combined).

*D. Encouraging Green Building*

The Act encourages projects to adhere to the Leadership in Energy and Environmental Design (“LEED”) Green Building Rating System and/or the NJ Green Building Manual. The Applicant states the lease and development agreement provide, that “when practicable,” the Project will “incorporate NJDCA Green Building Standards and/or LEED Standards into the Project.”

*E. Project Schedule*

The Applicant provided a schedule to complete the two phases of the Development by the end of 2021. This end date complies with the requirement of the Act that projects must be completed within 5 years of the Authority’s approval date.

In accordance with the Guidelines, staff reviewed the Applicant's description of the Project, its design, and project schedule. Staff concludes that the Applicant has proposed a feasible project plan and design, and that the Applicant has proposed a schedule that will meet the Act's five year completion deadline.

*Summary of the Partnership Documents*

The Applicant and the Project Owner will enter into a lease and development agreement for each phase of the Project. The documents are the substantially similar, except for items specific to each development phase.

The parties' roles, responsibilities and benefits in the Project are summarized below:

*A. Applicant*

1. *Lease Term.* The Applicant will lease the property for a 50 year term, commencing on Term Commencement Date, which the parties will select by executing a written agreement. The Applicant has provided the Project with one 25-year option under the Lease.

2. *Initial Payment and Rent.* The Applicant will receive rent payments as follows:

| Milestone   | Payment  |
|---|--|
| Block 1 Initial Payment -- at lease execution   | 30% of 1% of total development cost, or \$117,2441.16, subject to the standard conditions in the Authority's memo approving the Applicant's dorm project (January 2015 meeting)    |
| Block 1: Initial Payment -- 30 days after the RAB and PILOT area approved by the City of Jersey City  | 70% of 1% of the total project cost, or \$273,569.72   |
| Block 5B Initial Payment -- at lease execution  | 30%of 1% of the total development cost or \$133,020.28, , subject to the standard conditions in the Authority's memo approving the Applicant's dorm project (January 2015 meeting) |
| Block 5B: Initial Payment -- 30 days after the RAB and PILOT area approved by the City of Jersey City | 70% of 1% of the total project cost, or \$310,380.65   |

| Milestone  | Payment   |
|--|---|
| Blocks 1 and 5B: Fixed Rent – commencing on the 1 year anniversary of the receipt of each temporary or permanent certificate of occupancy                                      | \$2,500 per apartment unit (with a minimum amount of \$2,100 per apartment unit) plus \$1.75 per SF of occupied and rented commercial retail space  |
| Block 1 and 5B: Fixed Rent – upon the second anniversary of the receipt of the each temporary or permanent certificate of occupancy, and every one year anniversary thereafter | The amount of Fixed Rent “shall be equal to the percentage change in the Consumer Price Index (“CPI”) since the immediately preceding CO Anniversary Date; subject to a maximum annual increase of two percent (2%)”<br><br>The CPI is the “Consumer Price Index for New York/New Jersey All Urban 1982-84=100” |

The average rental payment over the term is ±\$1.209 million, and the present value of the total lease payments, using a 4% discount rate, is ±\$21.35 million.

3. *Utilities and Approvals.* Applicant will cooperate with the Project Owner to file utility applications and “documents necessary to obtain” utility services.
4. *Sell or Assign the Property.* Subject to the terms of the Lease, the Applicant may sell or assign the Property.
5. *Quiet Enjoyment.* The Applicant agrees that during the lease term, the Project Owner “shall lawfully and quietly hold, occupy and enjoy the Premises . . . without hinderance or molestation by or from anyone claiming by, through or under the [Applicant],” except for Permitted Exceptions.
6. *Right to Perform Project’s Owner’s Lease Covenants.* The Applicant may, after providing the required notice and the Project Owner has failed to perform, “pay any Imposition . . . take out, pay for, maintain or deliver any [required] insurance, . . . cause any lien . . . to be discharged. . . , or perform any other act” required by the Lease.
7. *Environmental Issues.* The Applicant “shall comply with all requirements related to the ongoing and larger site wide remediation of the [West Campus] and shall enforce all such obligations of responsible parties” as noted in the Development Agreement.

8. *Change Orders.* The Applicant will review and approve the Project change orders.
9. *Other Work.* The Applicant may perform “other work” on the West Campus, so long as it does not “materially interrupt, interfere with, hinder or delay” the Project.
10. *Ownership of Improvements at End of the Term.* At the end of the Lease term, Applicant is entitled to all the improvements (excluding trade fixtures and business improvements not part of the Project) free and clear of all liens.

*B. Project Owner*

1. *Rent and Impositions.* The Project Owner will pay the initial payment, the fixed rent, and any required impositions.
2. *Obtain Required Approvals and Utility Services.* The Project Owner must obtain all required approvals and required utility services for the Project.
3. *Design and Construction.* The Project Owner will be responsible for the design, development, construction, equipping and furnishing the Project as required by the Development Agreement and the Lease.
4. *Development Team.* The Project Owner will be responsible for the hiring, supervising and compensating the design, construction and other professionals necessary to develop the Project.
5. *Project Financing.* At its sole cost and expense, the Project Owner will be responsible for the Project budget and financing the Project’s development and construction.
6. *Project Schedule.* The Project Owner will be responsible for delivering the Project within the time frame of the approved project schedule.

7. *Environmental Issues.*

- a. *No Discharge.* During the term of the Lease, the Project “shall not permit . . . any Person to, use, handle, store, generate, manufacture, transport, discharge or release any Hazardous Materials” on the property.
  - b. *Compliance with Environmental Laws.* The Project Owner agrees to comply with all applicable environmental laws.
8. *Utility Service.* The Project Owner will be responsible for all utility charges at the site.
9. *Indemnification.* The Project Owner agrees to indemnify, defend and hold harmless the Applicant “arising . . . in connection” with the Project Owner’s “possession, use, occupancy or management” of the Project.
10. *Bond and Insurance.* The Project Owner will obtain insurance require by the Lease and bonds required by the Development Agreement.

*Partner’s Experience and Qualifications*

The Guidelines call for an assessment of the experience and qualifications of the development partner and its team.

*A. Project Owner*

*1. KKF University Enterprises, LLC*

This is the first venture of KKF University Enterprises, LLC (KKF), which is solely owned by Kimberly J. Kaye-Fried, the daughter or Robert M. Kaye, the owner of the PRC Group of Companies. Ms. Kaye-Fried is a property management professional and works for PRC Management Company. “In transitioning real property development opportunities to his children . . . Mr. Kaye has consented to the allocation, assignment, apportionment of PRC Group personnel to . . . KKF . . . at KKF’s sole cost without financial benefit to Mr. Kaye or any PRC company.” The PRC Group will be providing development, construction, and management services to the Project.

*2. PRC Group of Companies*

Established by Robert M. Kaye, the PRC Group of Companies (the “PRC Group” or “Group”) has extensive experience in commercial and residential development, construction and management. In business for more than 50 years, the following chart summarizes some of PRC’s projects:

| Units                        | Role                  | Units        | TDC                  |
|------------------------------|-----------------------|--------------|----------------------|
| Apartments Own & Manage      | Own and Manage        | 1949 Units   | \$101,150,000        |
| Condos & Townhomes           | Joint Venture; Manage | 318 Units    | \$50,005,000         |
| Apartments Construction Only | Construction          | 48 Units     | \$19,440,000         |
| Office Buildings             | Own and Manager       | 339,200 SF   | \$34,270,000         |
| Office Warehouse             | Own and Manage        | 84000 SF     | \$6,700,000          |
| Commercial                   | Own and Manage        | 4,200 SF     | \$840,000            |
|                              |                       | <b>Total</b> | <b>\$212,405,000</b> |

The Group provides full real estate services; it can own, develop, construct and manage the real estate projects that the Group undertakes.

*B. Feinberg & Associates*

With over 20 years of architectural experience, Feinberg & Associates has provided services in planning and designing two “town centers” – Washington Town Center, Robbinsville (550 residential units over 100,000 SF of retail and office space); Livingston Towne Center, Livingston (24 condominiums, 156 space garage, 25,000 SF retail). The firm also provided architectural services on Phase 1 of the Campus Town Center.

*C. General Contractor*

The Project Owner has not selected a general contractor and represents that the selected contractor will comply with the Act’s requirements regarding DPMC classification, the payment of prevailing wages and entering into the required project labor agreements.

Staff concludes that the Project’s development team has sufficient experience to own, develop, construct, operate and maintain the Development.

*Project Financing and Feasibility*

*A. Sources and Uses of Funds*

The following chart summarizes the project’s uses and sources:

| Uses                      | Phase 1:<br>Block 5B | Phase 2:<br>Block 1 | Total               |
|---------------------------|----------------------|---------------------|---------------------|
| Acquisition               | \$543,563            | \$483,322           | \$1,026,885         |
| Improvements              | \$34,939,284         | \$31,104,702        | \$66,043,986        |
| Professional Services     | \$2,438,786          | \$1,917,189         | \$4,355,975         |
| Financing and Other Costs | \$2,976,008          | \$2,703,158         | \$5,679,166         |
| Contingency               | \$2,044,882          | \$1,628,829         | \$3,673,711         |
| Development Fee           | \$1,397,571          | \$1,244,188         | \$2,641,759         |
| <b>Total Uses</b>         | <b>\$44,340,094</b>  | <b>\$39,081,388</b> | <b>\$83,421,482</b> |

| <b>Sources</b>          | <b>Block 5B</b>     | <b>Block 1</b>      | <b>Total</b>        |
|-------------------------|---------------------|---------------------|---------------------|
| Permanent Loan          | \$25,000,000        | \$27,000,000        | \$52,000,000        |
| Redevelopment Area Bond | \$2,500,000         | \$2,800,000         | \$5,300,000         |
| Equity                  | \$16,840,000        | \$9,281,000         | \$31,421,000        |
| <b>Total Sources</b>    | <b>\$44,340,094</b> | <b>\$39,081,388</b> | <b>\$83,421,482</b> |

The Application did not include any financial commitments. Currently, the Project Owner has assumed that the initial permanent loan will have a 10 year term with a 30 year amortization and an interest rate of 5.5% for each development phase.

The redevelopment area bond (RAB), with a rate of 7% and a term of 30 years, will be repaid through a payment in lieu of taxes (PILOT) included in each buildings operating budget, andm h starts at ±\$358,079 for Block 1 and ±\$285,388 for Block 5B, increasing annually at ±3% percent. Currently, the Project Owner intends to purchase the redevelopment area bonds.

*B. Operating Proforma*

The operating proformas included conservative annual assumptions for vacancy (12%) and operating inflation (2% except for utilities, which inflates at 3%), and income growth rates (2.5%). If the operating expense inflation rate is increased to 3%, and the remaining assumptions are held constant, the Project can still maintain a debt service coverage ratio of 1.25.

*C. Market Study*

The Outeau Group prepared the Project’s market study, which included the following findings:

1. *Hudson County’s Percentage of Households that rent is Greater than the State Average.* The share of Hudson County households that rent is 68%, compared to 35% in the rest of New Jersey.
2. *Favorable Market Demographics.* The Project’s market area has a high percentage of 1 and 2 person households (64%), households with no persons under 18 years of age (73%), households that have never married, widowed, and single head of households (66%). In addition, persons between the ages of 25 and 34 account for 23% of the market areas population. These types of households are are attracted to the proposed Development.
3. *The Target Market Demographic Can Afford the Proposed Rents.* Fifty-four percent of the households within 5 miles of the Project site earn more than \$60,000 (the minimum income threshold). In addition, 59% of person between 25 and 34, and 69% of the persons between 35 and 44 have sufficient income to afford the proposed rents.

4. *Rental Units Will Continue To Be in High Demand.* The market will continue to demand rental units, requiring an additional 10,560 units through 2020.
5. *Project Fosters Urban Living with Proximity and Access to Public Transportation.* The Project site is less than ½ mile from the light rail line, and Jersey City provides excellent access to various forms of public transportation (light rail, PATH, buses, and ferries) hubs.

The firm concludes that the proposed Development's unit mix, design and rental rates are "well aligned to economic and demographic trends" of the target market.

#### *D. Long-Range Maintenance Plan*

The Act requires that the budget, operating proforma and financial documents submitted with an application must include a long-range maintenance plan that specifies expenditures that qualify as an appropriate investment in capital improvements and maintenance. As part of its financial documentation, the Applicant submitted a long-range maintenance plan which included standards for the calculation of funds for replacement over the useful life of the project, detail for the initial calculation of need for replacement funds (e.g., estimated items, useful life, replacement costs, quantity and total costs), estimated the total amount required, and provided a schedule for use of the reserve funds over the Project's life.

The Project Owners will pay for long-range maintenance items from an annual reserve funded through operating income and permanent loan refinancings. Staff concludes that the Project Owner will have sufficient capital reserves to meet the Project's long-range maintenance needs during the Lease term.

The plan submitted complies with industry standards for replacement reserve accounts and capital maintenance plans and the long-range maintenance guidelines prepared by the Authority's consultant and adopted by the Authority. Accordingly, staff concludes that Applicant has submitted an adequate long-range maintenance plan for the Project.

After reviewing the project's budget, operating proforma, market study, and supporting information, the Real Estate Division's staff has assessed the soundness of the financial plan and concludes that the Project is financially feasible and has a supported need. Staff concludes that the Project's development cost, accounting for prevailing wage, and projected operating expenses are reasonable and within current market conditions.

#### *DPMC Classification*

The Project Owner has not selected a general contractor and represents that the selected contractor will comply with the required DMPC classification.



*Other Requirements of the Act*

In accordance with the requirements of the Act, the applicant has produced evidence and has certified to comply with the following requirements of the Act:

- *Prevailing Wage.* The Project Owner will pay prevailing wage as required by the Act (“Each worker employed in the construction, rehabilitation, or building maintenance services of facilities by a private entity that has entered into a public-private partnership agreement with a State or county college . . . shall be paid not less than the prevailing wage rate”).
- *Project Labor Agreement.* The Project Owner will enter into the required project labor agreements during the construction, operation, and long-range maintenance of the project (the Applicant included a draft agreement in its submission).
- *Bond.* The Project Owner will post the required payment bond or have the bond posted on its behalf.

*Recommendation*

Staff recommends that the Board give final approval of the application subject to the following conditions being met to the satisfaction of appropriate staff for **each phase** of the Project (e.g., Chief Executive Officer, President and Chief Operating Officer, Senior Vice President of Finance and Development, or the Director of the Estate Division):

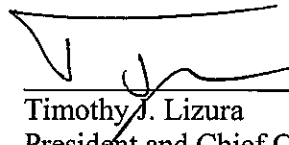
1. Providing a copy of the executed Lease and Development Agreements with attachments (excluding the plans and specifications, if applicable)
2. Submitting, in final form, the development and operating budgets in the Authority’s Excel template (substantially the same as the documents reviewed by the Authority)
3. Submitting, in final form, project labor agreements for the construction and contracts to implement the long range maintenance plan, which require not paying less than prevailing wage and to the greatest extent possible, enhances employment opportunities for individuals residing in the county of the project’s location
4. Submitting the DPMC classification for the selected contractor
5. Submitting, in final and satisfactory form, posted bonds guaranteeing prompt payment of moneys due to the contractor (and/or subcontractors)
6. Submitting a final copy of the Project’s financing commitments:

- a. redevelopment area bond approval resolution and final version of the bond indenture
  - b. PILOT approval resolution and the executed PILOT agreement
  - c. executed private financing commitments (construction and permanent)
  - d. if applicable, executed private equity financing commitment
  - e. current financial statement (not more than 3 months old from the date of submission) of the person or entity providing the Project Owner's equity financing
7. Submitting other items (i.e., any other document which may contain a material business term to the "partnership agreement" between the parties) that the Applicant must provide in order to obtain the Authority's final approval
  8. Providing quarterly reports through the end of construction

The Applicant **shall not** permit the Project Owner to commence construction **on any phase** of the Project until the Authority's staff receives and reviews the requested items listed above and the Authority's staff issues correspondence stating that conditions in this memo are met.

**Recommendation**

In summary, I ask for the Members to authorize the Authority's staff to approve the project upon meeting the conditions outlined in this memo.



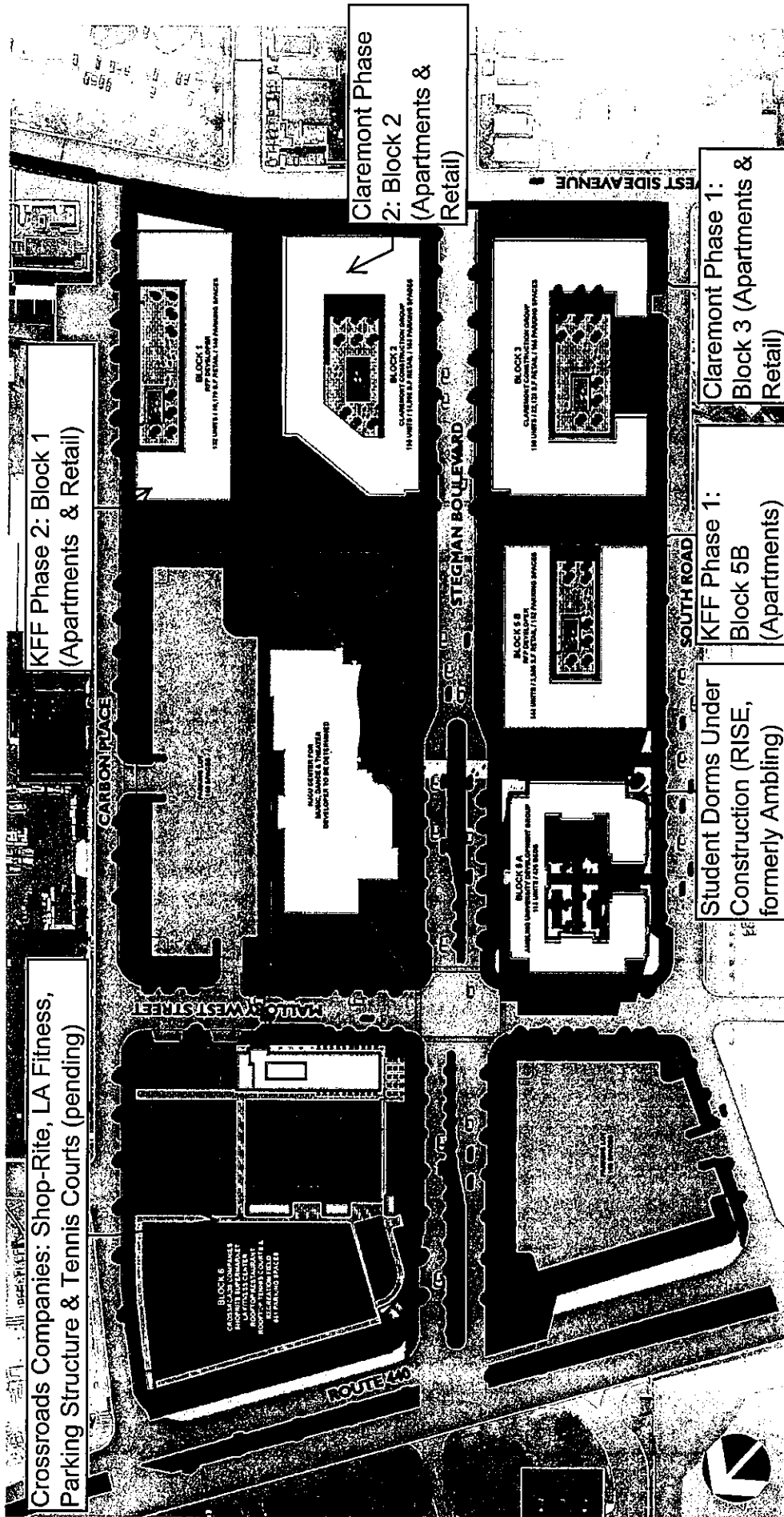
---

Timothy J. Lizura  
President and Chief Operating Officer

Prepared by: Juan Burgos

**EXHIBIT A: WEST CAMPUS SITE PLAN**

*New Jersey City University  
Higher Education Public Private Partnership Program  
West Campus Blocks 1 and 5B*



**NEW JERSEY CITY UNIVERSITY**  
 WEST CAMPUS MASTER PLAN

Location: Jersey City, New Jersey



**MEMORANDUM**

**TO:** Members of the Authority

**FROM:** Timothy J. Lizura  
President and Chief Operating Officer

**RE:** Higher Education Public Private Partnership Program  
New Jersey City University  
West Campus Block 6 (Crossroads Companies)

**DATE:** September 10, 2015

**Summary**

The Members are asked to approve New Jersey City University's ("Applicant") application to develop 110,000 square foot commercial space that will include ±600 structured parking spaces, ±62,000 SF supermarket, ±37,500 SF fitness center, ±8,000 SF rooftop restaurant and 6 NCAA compliant roof top tennis courts ("Project" or "Development"), on approximately ±2.68 acres of land on the Applicant's campus under the Higher Education Private Public Partnership Program (the "Program") established by P.L. 2009, c. 90, as amended (the "Act"). The Project's total development cost will be approximately ±\$58.12 million. The Applicant currently owns the ±2.68 acres. Under the Act, the "Authority shall review all completed applications" and "[n]o project shall be undertaken until final approval has been granted by the [A]uthority." N.J.S.A. 18A:64-85.f(3). Staff performed a substantive review of the application and supporting documentation in accordance with the Act and pursuant to the Authority's Higher Education Institution Public-Private Partnership Program Guidelines (the "Guidelines") and recommends approval of the Applicant's Project. The Authority's approval will be subject to the Applicant submitting additional items that are outlined below.

## **Background**

### *The Authority's Scope of Review*

Under the Program, the Authority must review and approve an application, which, in order to be complete, must contain the following items:

1. a full narrative description of the project
2. a public-private partnership agreement between the state or county college and the private developer
3. a land lease or land agreement
4. financial information including the estimated costs and financial documentation for the project
5. a detailed project schedule (i.e., timetable) for completion of the project extending no more than five years after consideration and approval
6. DPMC classification information for the required contractors and/or subcontractors
7. evidence of arrangements for entering into project labor agreements and paying prevailing wages as required by the Act
8. evidence of arrangements for issuance of the required bonds.

The financial documentation shall include a long-range maintenance plan that will "specify the expenditures that qualify as an appropriate investment in maintenance." In addition, the Authority may impose "other requirements that the [A]uthority deems appropriate or necessary."

Within the Act's deadline, the Applicant submitted a complete application for the Project with adequate exhibits and supporting documentation which included an adequate form of the Ground Lease and Project Development Agreements which serve as the partnership agreement for this Project. Real Estate Division Staff deemed the application complete.

The Act requires that any project undertaken through the Program must be financed in whole by the private entity. Staff has reviewed the project documents to confirm that the private partner assumes full financial and administrative responsibility for the construction of the Project and that the Applicant has no financial responsibility for the construction of the Project. The Act also requires that the State or institution of higher education must retain full ownership of the land upon which any project undertaken through the Program. Staff has reviewed the Project documents to confirm that the Applicant will retain full ownership of the land where the Project will be developed.

*Project Description and Schedule*

*A. West Campus Development Plan*

*1. History*

The Applicant's Facilities Master Plan outlines the university's planned expansion on the West Campus. In 1970's, the Applicant started the process to acquire ±21.3 acres, former industrial land, which is bounded by Route 440 to the North, Carbon Plan to the East, South Road to the West, and Wes Side Avenue to the South. In 2005, Jersey City adopted the West Campus Redevelopment plan, which incorporates the Applicant's vision:

The University intends for the West Campus to be more than a typical college campus. It will also be a place for city residents to work, shop and live. When fully developed, the project will include a significant amount of retail space, structured parking, student as well as market-rate housing, academic teaching spaces, academic offices, a performing arts center, and primary and secondary schools.

*2. West Campus Environmental History*

Honeywell remediated the chromium related contamination on the property, which is the subject of a consent decree and deed restrictions. Additionally, the Applicant recently remediated the non-chromium related portions of the property, which is also subject to a deed restriction.

*3. West Campus Site Plan*

The Applicant's current West Campus Master Plan, which is attached as Exhibit A, includes:

- performing arts center
- student dorms (currently being developed as a public private partnership between the Applicant and RISE, formerly Ambling University Development Group)
- 581 market rate apartments, ±50,000 SF ground floor retail, and 620 parking spaces
- and this Project, which will include a supermarket, fitness center, ±650 structured parking spaces, a rooftop restaurant and tennis courts

*4. Block 6*

In December 2014, the Applicant issued a request for qualifications to design, develop, construct, and manage a mixed-use residential over commercial retail on Blocks 2 and 3, and a commercial retail facility and parking structure on Block 6. Although 8 parties submitted qualifications for the proposed development on Blocks 2 and 3, only Crossroad Companies ("Project Owner") submitted qualifications for the development on Block 6.

After evaluation and due diligence, the Applicant invited Crossroads to submit a proposal to develop Block 6 and selected Crossroads Companies ("Project Owner") to finance, plan, design,

construct, operate and maintain a commercial facility that will include ±62,000 SF supermarket, ±37,500 SF fitness center, structured parking for ±600 spaces, ±8,000 SF rooftop restaurant, and 6 NCAA compliant roof top tennis courts. In June 2015, the Applicant's Board of Trustees approved the Crossroad Companies as the private partner to develop the Project under the Act and authorized the appropriate officials of the Applicant to negotiate and execute documents to consummate the transaction.

Crossroads will create a single purpose entity that will own the Project, enter into a ground lease and development agreement with the Applicant, and enter into the following subleases:

- Upon completion of construction of the structured parking and rooftop tennis courts, the single purpose entity will enter into a subordinate lease with the Hudson County Improvement Authority (HCIA).
- The single purpose entity will enter into subordinate leases with Inserra ShopRite Supermarket and LA Fitness, and a to be determined rooftop restaurant operator.

HCIA will finance the structured parking sublease with tax exempt bonds and will enter into subordinate leases with the Applicant for 150 parking spaces and the rooftop tennis courts.

#### *B. Estimated Job Creation*

The Project Owner estimates that the Project will create 250 construction jobs and between 250 and 300 permanent jobs.

#### *C. Encouraging Green Building*

The Act encourages projects to adhere to the Leadership in Energy and Environmental Design ("LEED") Green Building Rating System and/or the NJ Green Building Manual. The Project Owner will be applying for an Economic Redevelopment and Growth Grant (ERG). If the Authority approves the ERG application, the Project Owner will comply with the required 2007 Board of Public Utilities Pay for Performance program, which will meet the Act's requirement.

#### *D. Project Schedule*

The Applicant provided a schedule to complete construction within 20 months. This end date complies with the Act's requirement that projects must be completed within 5 years of the Authority's approval date.

In accordance with the Guidelines, staff reviewed the Applicant's description of the Project, its design, and project schedule. Staff concludes that the Applicant has proposed a feasible project plan and design, and that the Applicant has proposed a schedule that will meet the Act's five year completion deadline



*Summary of the Partnership Documents*

The parties' roles, responsibilities and benefits in the Project are summarized below:

*A. Applicant*

1. *Lease Term.* The Applicant will lease the property for a 50 year term, commencing on Term Commencement Date, which the parties will select by executing a written agreement. The Applicant has provided the Project with one 25 year option term under the Lease.

2. *Rent.*

a. *Initial Payments.* The Applicant will receive payments according as follows:

| <u>Milestone</u>   | <u>Payment</u> |    |              |
|--|----------------|----|--------------|
| Upon Lease Effective Date  |                |    |              |
| On 10th Day after Authority Approves ERG                                       | .3% of Cost    | or | \$174,348.24 |
| Upon Approval Jersey City Council's Approval of PILOT and RAB                  | .3% of Cost    | or | \$174,348.24 |
| Upon Receipt of Commitment from HCIA to Finance Purchase of Structured Parking | .2% of Cost    | or | \$116,232.16 |
|  | .2% of Cost    | or | \$116,232.16 |

If the lease is terminated prior to the rent Commencement Date, the Applicant will retain these payments as liquidated damages.

b. *Fixed Rent.* The Applicant will receive the following rent payments under the lease:

| <u>Milestone</u>  | <u>Estimated Payment</u> |
|---|--------------------------|
| Rent Commencement Date (minimum payment shall not be less than \$500,000).                        | \$650,000                |
| On 10th Anniversary of the Rent Commencement Date, Fixed Rent shall increase by 10%.              | \$715,000                |
| On each successive 10th Anniversary, rent shall increase 10% of the immediately preceding period. | \$786,500                |

The average annual lease payment is ±\$1.1 million, and the present value of the lease payments during the term, with a 4% discount rate, is estimated at ±\$19.41 million.

3. *Utilities and Approvals.* Landlord will cooperate with tenant regarding the following:
  - a. *Utilities.* Applicant will cooperate with the Project Owner to file utility applications and “documents necessary to obtain” utility services.
  - b. *Other Approvals.* Applicant agrees to cooperate with the Project Owner “in obtaining any and all licenses, certificates, authorizations, permits, consents and approvals” required for the Project.
  - c. *EDA Reporting.* Applicant and the Project Owner will cooperate for any required EDA reporting under the Act.
4. *Sell or Assign the Property.* Subject to the terms of the Lease and the Act, the Applicant may sell or assign the Property.
5. *Discharge of Easements and Rights of Way.* Except for permitted exceptions under the Lease, the Applicant “shall obtain, deliver and record a discharge of all Utility Services easements, rights of way and other such rights recorded against” the leased property “as of the date of the Lease.
6. *Quiet Enjoyment.* The Applicant agrees that during the lease term, the Project Owner “shall lawfully and quietly hold, occupy and enjoy the Premises . . . without hinderance or molestation by or from anyone claiming by, through or under the [Applicant],” except for Permitted Exceptions.
7. *Right to Perform Project’s Owner’s Lease Covenants.* The Applicant may, after providing the required notice and the Project Owner has failed to perform, “pay any Imposition . . . take out, pay for, maintain or deliver any [required] insurance, . . . cause any lien . . . to be discharged. . . , or perform any other act” required by the Lease.
8. *Environmental Issues.* Applicant remains responsible for the following environmental issues:
  - a. *Consent Decree and Deed Notice Environmental Issues Prior to the Lease Effective Date.* The Applicant remains responsible for compliance with the Consent Decree, and environmental deed notices filed on the West Campus property prior to the Lease’s Effective Date.

- b. *Non-Compliance with Environmental Issues that Arose Prior the Lease Effective Date.* The Applicant remains responsible for non-compliance with environmental laws that are not governed by the Consent Decree and/or the environmental deed notices and that existed prior to the Lease's Effective Date.
  - c. *Applicant's Responsibility to Remediate.* For items that existed prior to the Leases' Effective Date, if during the lease term "Hazardous Materials are discovered that would require remediation by [the Applicant]. . . and the [Applicant] is unable to perform the remediation due to cost to remediate, then the [Applicant] may choose to terminate this Lease upon thirty (30) days written notice . . . [and] the Parties shall meet to determine, what, if any, refund would be due the Tenant."
9. *Change Orders.* The Applicant will review and approve the Project change orders.
  10. *Other Work.* The Applicant may perform "other work" on the West Campus, so long as it does not "materially interrupt, interfere with, hinder or delay" the Project.
  11. *Ownership of Improvements at End of the Term.* At the end of the Lease term, Applicant is entitled to all the improvements (excluding trade fixtures and business improvements not part of the Project) free and clear of all liens.

*B. Project Owner*

1. *Rent and Impositions.* The Project Owner will pay the initial payment, the fixed rent, and any required impositions.
2. *Obtain Required Approvals and Utility Services.* The Project Owner must obtain all required approvals and required utility services for the Project.
3. *Design and Construction.* The Project Owner will be responsible for the design, development, construction, equipping and furnishing the Project as required by the Development Agreement and the Lease.
4. *Development Team.* The Project Owner is responsible for the hiring, supervising and compensating the design, construction and other professionals necessary to develop the Project.
5. *Project Financing.* At its sole cost and expense, the Project Owner shall be responsible for the Project budget and financing the Project development.

6. *Project Schedule.* The Project Owner will be responsible for delivering the Project within the time frame of the approved project schedule.
7. *Environmental Issues.*
  - a. *No Discharge.* During the term of the Lease, the Project “shall not permit . . . any Person to, use, handle, store, generate, manufacture, transport, discharge or release any Hazardous Materials” on the property.
  - b. *Compliance with Consent Decree and Deed Notices.* The Project Owner agrees to comply with the requirements of the environmental consent decree and deed notices on the property.
8. *Utility Service.* The Project Owner will be responsible for all utility charges at the site.
9. *Indemnification.* The Project Owner agrees to indemnify, defend and hold harmless the Applicant “arising . . . in connection” with the Project Owner’s “possession, use, occupancy or management” of the Project.
10. *Bond and Insurance.* The Project Owner will obtain insurance require by the Lease and bonds required by the Development Agreement.

*C. Hudson County Improvement Authority as Sub-Tenant*

HCIA will sublease the parking structure and rooftop tennis courts from the Project Owner, under terms substantially similar to those that exist between the Applicant and Project Owner (*see above* Applicant and Project Owner’s Responsibilities), with the following additional terms and conditions:

1. *Term.* The lease term will coincide with the bond financing term (or earlier repayment), currently estimated at 40 years, but in no event will the sublease term be longer than the Lease between the Applicant and the Project Owner.
2. *Rent.* HCIA will pay the Project Owner the development cost of the deck as rent upon issuing the bonds. No further rent will be due during the term.
3. *Financing.* HCIA will use “commercial reasonable efforts” to issue the bonds for the rent payment for the leasehold improvements.

4. *Parking Space Sublease.* The HCIA will sublease 150 spaces to the Applicant at the starting rent of \$135 space per month.
5. *Rooftop Lease.* The HCIA will lease the rooftop tennis courts to the Applicant for market rate consideration, which is currently estimated at \$257,500 annually.
6. *Parking Rates.* HCIA will have the right to set the parking rates to maintain the required bond underwriting obligations.
7. *Development Obligation.* The development and construction obligations of the parking structure and rooftop improvements will remain with the Project Owner.

*Partner's Experience and Qualifications*

The Guidelines call for an assessment of the experience and qualifications of the development partner and its team.

*A. Project Owner*

*1. Crossroads Companies*

Formed in 2001 by the principals of Inserra Supermarkets (Steven Hitman and Larry Inserra), Crossroads Companies has owned and or developed over 1 million SF of shopping center space. Crossroads current portfolio includes 900,000 SF valued at \$175 million. The current development pipeline includes 4 supermarkets with an estimated value of \$85 million. Some of the Project Owner's current projects include:

| <b>Project</b>                                    | <b>Description</b>                        | <b>Cost</b>            |
|---|---|------------------------|
| Shopping Center, Wallington NJ                    | 118,000 SF retail                         | \$29,000,000.00        |
| Shopping Center, Somerset NJ                      | 95,000 SF retail                          | \$13,000,000.00        |
| William Jefferson Clinton Tower, West New York NJ | 78,000 SF retail, 73 apts., 80 pking. Sp. | \$18,600,000.00        |
| <b>TOTAL</b>                                      |   | <b>\$60,600,000.00</b> |

*2. Inserra Supermarkets, Inc.*

The anchor tenant for the Project and a related entity to the Project Owner, Inserra Supermarkets, Inc., operates 22 ShopRite stores in New York and New Jersey, with annual revenues of approximately \$1.15 billion. The supermarket operator employees 4,000 associates and provides full and part time employees with a comprehensive medical and other benefits package (health, dental, vision, disability, substance abuse counseling and legal services).

*B. Studio Hillier*

Studio Hillier, formed in 2011, was started by Robert J. Hillier, the former owner and principal of the Hillier Group, a well known architectural, planning and project management firm started in 1966, will lead the design team for this Project. Hillier has participated in 2,400 commercial retail developments totaling \$10 billion in development cost.

*C. Del-Sano Construction Corporation.*

In business for 39 years, this firm has constructed over 1,500 residential units in the New York metropolitan area, and approximately 2.5 million square feet of commercial retail space with a total construction cost of approximately \$1 billion. The firm has a bonding current capacity \$150 million (with \$70 million available) and a DPMC classification of \$77 million for general construction.

*D. Hudson County Improvement Authority (HCIA)*

HCIA will purchase and operate the completed parking deck from Project Owner. HCIA has financed approximately 1,440 structured parking spaces in the amount of \$38 million (total project cost of \$47 million) and currently operates and/or manages one parking structure in Hudson County.

Staff concludes that the Project's development team has sufficient experience to own, develop, construct, operate and maintain the Development.

*Project Financing and Feasibility*

*A. Sources and Uses of Funds*

The following chart summarizes the project's uses and sources:

| <b>Uses of Funds</b>    |                     | <b>% Project</b> |
|-------------------------|---------------------|------------------|
| Acquisition             | \$585,000           | 1.01%            |
| Improvements            | \$50,556,390        | 86.99%           |
| Professional Services   | \$2,398,469         | 4.13%            |
| Financing & Other Costs | \$3,123,801         | 5.38%            |
| Contingency             | \$0                 | 0.00%            |
| Development Fee         | \$1,452,419         | 2.50%            |
| <b>TOTAL</b>            | <b>\$58,116,079</b> | <b>100.00%</b>   |

| <b>Sources of Funds</b> |                     | <b>% Project</b> |
|-------------------------|---------------------|------------------|
| HCIA Deck Leasehold     | \$29,000,000        | 49.90%           |
| Jersey City RAB         | \$4,000,000         | 6.88%            |
| Permanent Loan          | \$12,558,040        | 21.61%           |
| Equity                  | \$12,558,040        | 21.61%           |
| <b>TOTAL</b>            | <b>\$58,116,079</b> | <b>100.00%</b>   |

*B. Leasing and Financing Commitments*

*1. Parking Structure Sublease*

HCIA will sublease the parking structure and the rooftop tennis courts from the Project Owner funded by a tax exempt bond issuance and a contribution (either through a lease or other agreement) from the city of Jersey City.

The sublease terms will require the Applicant to lease 150 parking spaces and the tennis courts from HCIA. The balance of the spaces will be open to the general public.

*2. Inserra Supermarkets*

Inserra Supermarkets will lease approximately 64,455 SF, to operate a ShopRite, for 10 years (with five ten-year renewal options) with a base rent of \$27 SF, increasing 10% every 5 years. Inserra Supermarkets will pay its proportional share of common area maintenance, real estate taxes and insurance.

The Project Owner will provide a \$110 SF fit-out allowance and the lease will provide Inserra Supermarkets with parking spaces (to be determined) within the HCIA's garage. Supermarket customers will receive free parking.

*3. LA Fitness*

LA Fitness will lease approximately 36,980 SF for 10 years (with four five-year options), with a base rent of \$24 SF, increasing 10% every 5 years. Common area maintenance charges will start at \$3.00 SF, and may increase up to 3% annually on the controllable portion of the charges (which excludes, taxes, insurance, utilities and snow removal).

The Project Owner will provide a \$85 SF tenant fit out allowance. LA Fitness will receive a rent credit on any unused allowance.

The lease will provide LA Fitness with ±250 parking spaces on the 3<sup>rd</sup> and 4<sup>th</sup> floors of HCIA's parking deck; LA Fitness customers will receive free parking.

#### 4. *Applicant's Parking and Rooftop Tennis Courts Term Sheets*

##### a. *Structured Parking*

For the term of the sublease between the Project Owner and HCIA, the Applicant will lease 150 parking spaces from HCIA at a rate of \$135 per month per space for an initial 10 years, totaling \$243,000 annually. The rent will increase 10% every 10 years, starting in Year 11.

##### b. *Tennis Courts*

For the term of the sublease between the Project Owner and HCIA, the Applicant will lease the NCAA compliant rooftop tennis courts from HCIA for an initial triple net rent that will be determined as follows: total development cost for the rooftop tennis courts minus any grants for green/open space multiplied by 5% (assuming the bond rate is 4%). This rent will increase 10% every 10 years, commencing in Year 11.

#### 5. *Financing Commitments*

Hampshire will be a member of a to be formed single purpose entity created by the Project Owner for the ShopRite and LA Fitness portion, and rooftop restaurant portion of the Project. Hampshire will invest 90% of the equity ( $\pm$ \$11.3 million), with the Project Owner contributing the remaining 10%. ( $\pm$ \$1.2 million).

#### C. *Market Study*

##### 1. *Retail Study*

KW Commercial/MTD Realty Group prepared a market/feasibility study for the Project and found the following:

- a. *Market Area Is a "Food Desert."* The market area is served by .79 supermarket SF per person, with the national average is approximately 5.47 supermarket SF per person. The ShopRite will have 3 competitors that have a combined square feet of 83,040. With the addition of ShopRite in the market the area will have 1.22 SF per person, still leaving the market underserved.
- b. *No Fitness Center Competition.* The LA Fitness will have no local competitors and will be available to serve the new apartment residents in the other phases of the West Campus developments as well as the Applicant's students, faculty and staff.
- c. *Competitive Lease Rates.* The lease rates, at \$24 SF and \$27 SF respectively, for the LA Fitness and ShopRite are competitive with the local market's net effective rent of \$25.71 SF. The Project Owner anticipates leasing the rooftop restaurant for approximately \$25 SF. "The blended net rent for the project is \$26.38, which is 2.6% over the area average and considered to be certainly within the correct range."



- d. *Competitive Retail Inaccessible to Residents of the Local Market.* Twenty-seven percent of the Project's market area population does not own a vehicle, and most of the retail in the area is on the West side of Route 440 and a distance from the Project's market area, creating an access issue. However, the Project's within the market area is close to public transportation to serve residents within the market area without a vehicle. The study also notes that even when including the retail on the west side of Route 440, the area has 9.49 SF of retail space per person, which is only 41% of national average, leading to the conclusion that the market area residents have an unmet retail need.

The study's author concludes, based on the strong demand for this location, and "primarily due to the fact that there is such little retail in this market . . . this center will be fully leased upon construction" completion.

## *2. Parking Demand Analysis*

KSE Engineers, P.C. prepared a parking demand analysis and reviewed the parking structures financial assumptions and found that there will be sufficient parking demand to support the parking structure because: (a) the new retail on Block 6, which will require approximately 210 daily spaces; and (b) there will be need for visitor parking for the Applicant and apartment resident visitors. The firm also concluded that the structured parking's revenue projections will be sufficient to support the parking decks' estimated debt service and operating expenses.

### *D. Operating Proforma*

#### *1. Project Owner*

The retail operating proforma included aggressive annual assumptions for vacancy (2%) and operating expense inflation (2%); income conservatively grows at 1.5%. Because the Project includes mostly credit tenants (ShopRite and LA Fitness), these assumptions are acceptable; however, even assuming that the operating expense grow at a rate of 3%, and the remaining assumptions are held constant, the Project will be able to maintain a debt service coverage ratio of 1.25.

#### *2. Parking Deck*

Because of the fluctuating customer base for the larger retail tenants, the submitted proforma assumes that the larger commercial tenants (LA Fitness and ShopRite), will bear a substantial portion of the common area maintenance expense of the parking structure. The HCIA will be responsible for the debt service and long-range maintenance of the parking deck. The submitted operating proforma reflects sufficient funds to maintain a debt service coverage ratio of 1.25 and deposit funds into the long-range maintenance reserve..

*E. Long-Range Maintenance Plan*

The Act requires that the budget, operating proforma and financial documents submitted with an application must include a long-range maintenance plan that specifies expenditures that qualify as an appropriate investment in capital improvements and maintenance. As part of its financial documentation, the Applicant submitted a long-range maintenance plan which included standards for the calculation of funds for replacement over the useful life of the project, detail for the initial calculation of need for replacement funds (e.g., estimated items, useful life, replacement costs, quantity and total costs), estimated the total amount required, and provided a schedule for use of the reserve funds over the Project's life.

The Project Owner and HCIA will pay for long-range maintenance items from an annual reserve funded through operating income and surplus cash. Staff concludes that the Project Owner and HCIA will have sufficient capital reserves to meet the Project's long-range maintenance needs during the Lease term.

The plan submitted complies with industry standards for replacement reserve accounts and capital maintenance plans and the long-range maintenance guidelines prepared by the Authority's consultant and adopted by the Authority. Accordingly, staff concludes that Applicant has submitted an adequate long-range maintenance plan for the Project.

After reviewing the project's budget, operating proforma, long-range maintenance plan, market and demand studies, and other supporting information, the Real Estate Division's staff that the Project's development budget, construction costs, developer's compensation, income and operating assumptions are within the existing market conditions, taking into account prevailing wage, to develop a project of this type. In addition, Staff has assessed the soundness of the financial plan and concludes that the Project is financially feasible and has a demand.

*Other Requirements of the Act*

In accordance with the requirements of the Act, the Applicant has produced evidence and has certified to comply with the following requirements of the Act:

- *Prevailing Wage.* The private partner will pay prevailing wage as required by the Act ("Each worker employed in the construction, rehabilitation, or building maintenance services of facilities by a private entity that has entered into a public-private partnership agreement with a State or county college . . . shall be paid not less than the prevailing wage rate")
- *Project Labor Agreement.* The private partner will enter into the required project labor agreements during the construction, operation, and long-range maintenance of the project (the Applicant included a sample agreement in its submission)

- *DPMC Classification and Required Bond.* The Division of Property Management and Construction within Treasury has classified Del-Sano Construction under general construction with a contract capacity of \$77 million with a bonding capacity of \$150 million

*Recommendation*

Staff recommends that the Board give final approval of the application subject to the following conditions being met to the satisfaction of appropriate staff (e.g., Chief Executive Officer, President and Chief Operating Officer, Senior Vice President of Finance and Development, or the Director of the Estate Division):

1. Providing a copy of the executed Lease and Development Agreements with attachments (excluding the plans and specifications, if applicable)
2. Submitting, in final form, the development and operating budgets in the Authority's Excel template (substantially the same as the documents reviewed by the Authority)
3. Submitting, in final form, project labor agreements for the construction and contracts to implement the long-range maintenance plan, which require not paying less than prevailing wage and to the greatest extent possible, enhances employment opportunities for individuals residing in the county of the project's location
4. Submitting, in final and satisfactory form, posted bonds guaranteeing prompt payment of moneys due to the contractor (and/or subcontractors)
5. Submitting the Project's financing commitments:
  - a. redevelopment area bond approval resolution and final version of the bond indenture
  - b. City of Jersey City approving resolution for PILOT and the executed PILOT agreement
  - c. executed private financing commitment (construction and permanent)
  - d. executed ERG commitment
  - e. HCIA board approval of the sublease and final version of the sublease
  - f. HCIA board approval of the bond and final version of the bond indenture
  - g. executed private equity financing commitment
  - h. current financial statement, no older than 30 days from the date of submission, of Project's Owner evidencing the equity financing for the Project
  - i. Applicant's final lease for the parking and tennis courts
  - j. binding lease commitments from ShopRite and LA Fitness
6. Submitting quarterly reports through the end of construction

7. Submitting other items (i.e., any other document which may contain a material business term to the “partnership agreement” between the parties) that the Applicant must provide in order to obtain the Authority’s final approval

The Applicant **shall not** permit the Project Owner to commence construction of the Project until Authority Staff receives and reviews the requested items listed above and Authority Staff issues a letter stating that conditions in this memo are met.

**Recommendation**

In summary, I ask for the Members to authorize the Authority’s staff to approve the project upon meeting the conditions outlined in this memo.



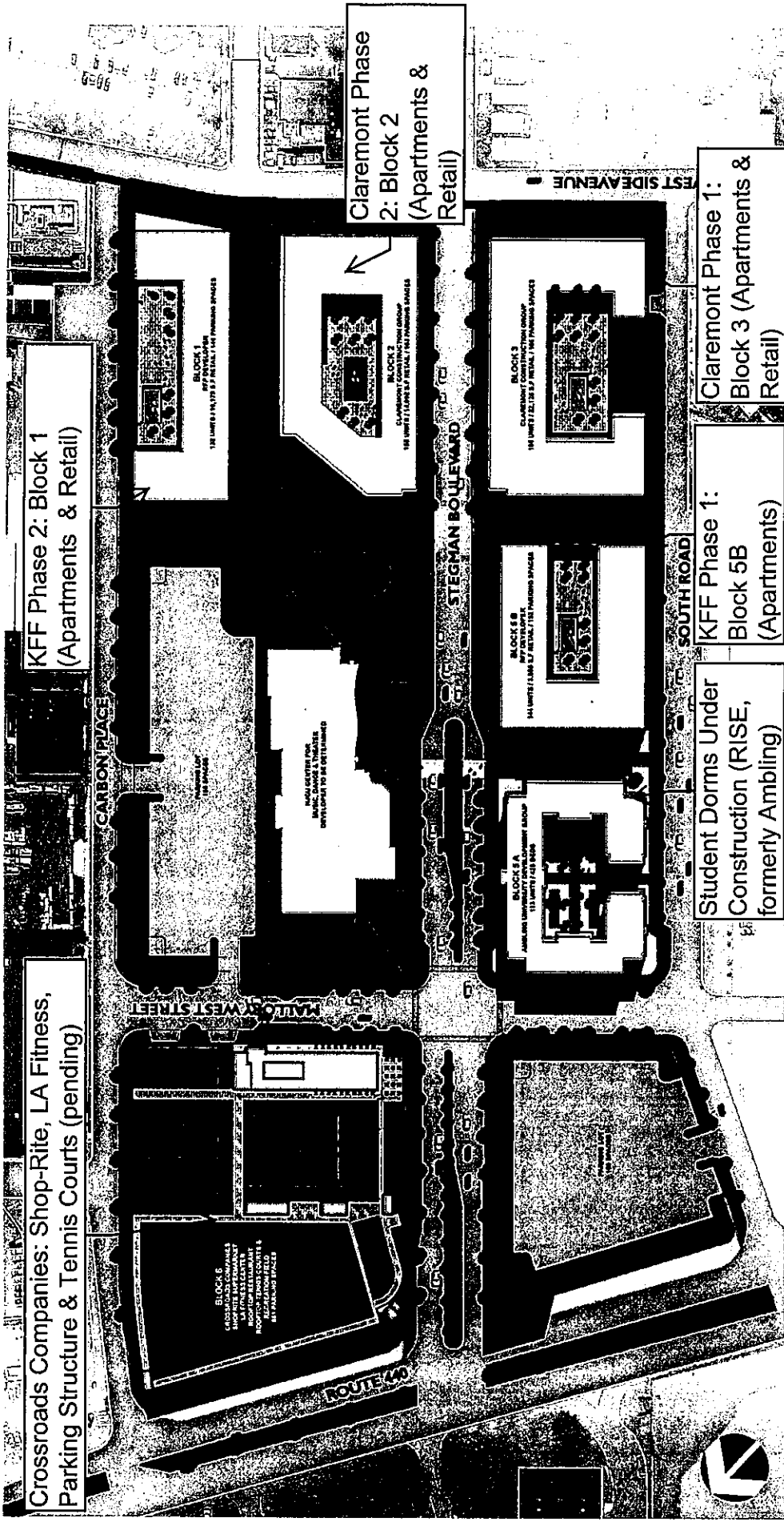
---

Timothy J. Lizura  
President and Chief Operating Officer

Prepared by: Juan Burgos

**EXHIBIT A: WEST CAMPUS SITE PLAN**

*New Jersey City University  
Higher Education Public Private Partnership Program  
West Campus Block 6*



**KFF Phase 2: Block 1**  
(Apartments & Retail)

**Crossroads Companies: Shop-Rite, LA Fitness, Parking Structure & Tennis Courts (pending)**

**Claremont Phase 2: Block 2**  
(Apartments & Retail)

**Claremont Phase 1: Block 3**  
(Apartments & Retail)

**KFF Phase 1: Block 5B**  
(Apartments)

**Student Dorms Under Construction (RISE, formerly Ambling)**

**NEW JERSEY CITY UNIVERSITY**

Location: Jersey City, New Jersey

**WEST CAMPUS MASTER PLAN**

