

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

November 1, 2013

MINUTES OF THE SPECIAL MEETING

Members of the Authority present: Al Koepp, Chairman; Christopher Hughes representing the Commissioner of Banking and Insurance; and Public Members: Joseph McNamara, Vice Chairman; and Brian Nelson.

Present via conference call: State Treasurer Andrew Sidamon-Eristoff; Commissioner Hal Wirths of the Department of Labor and Workforce Development; Colleen Kokas representing the Commissioner of the Department of Environmental Protection; Public Members: Larry Downes, Marjorie Perry, Charles Sarlo, Rich Tolson, Jerry Langer, Ray Burke, First Alternate Public Member; and Rodney Sadler, Non-Voting Member.

Also present: Michele Brown, Chief Executive Officer of the Authority; Timothy Lizura, President and Chief Operating Officer; Deputy Attorney General Bette Renaud; Amy Herbold, Governor's Authorities' Unit; Fred Zavaglia representing the Commissioner of the Department of Labor and Workforce Development and staff.

Absent: Melissa Orsen representing the Executive Branch; Public Members Elliot M. Kosoffsky, Second Alternate Public Member; and Harold Imperatore, Third Alternate Public Member.

Chairman Koepp called the meeting to order at 10am.

In accordance with the Open Public Meetings Act, Ms. Brown 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

Chairman Koepp opened the meeting by thanking the Board for coming together on a Friday to approve an important project. He also thanked the staff of the EDA for their hard work.

CEO Michele Brown then thanked the Board members and staff for their work on this long awaited project. Ms. Brown stated that today the Board will be asked to approve the application for an Economic Redevelopment and Growth (ERG) grant for Ameream LLC, Meadow Amusement LLC and Affiliates for reimbursement of certain taxes relating to a large retail and entertainment redevelopment project in Bergen County known as "American Dream" or "Triple Five".

She continued to state that this Administration, local officials, construction trade unions, chambers of commerce, among others, have all pushed hard to jumpstart the completion of the long-dormant project once known as Xanadu.

She stated that as we know, the American Dream project in East Rutherford commenced about a decade ago by Mack-Cali and has had a colorful past (as well as facade) and that the EDA has worked with public partners: New Jersey Sports & Exposition Authority, Treasury, the county and the Local Finance Board to pull together a financing package for the developer.

Regular meetings with an ad hoc committee of the Board were established at the request of the Chairman to keep members informed on progress made throughout this process.

Ms. Brown stated that Triple Five proposes redevelopment of a 91 acre site – directly across from Met Life Stadium in East Rutherford – into a 3.3 million square foot regional shopping and entertainment destination, featuring amusements and a water park and many other attractions and invest over \$2.5 billion. This project is consistent with the goal of growing jobs in New Jersey, and this project expects to generate over 11,000 jobs.

As part of this overall project, the Board is also asked to approve the assignment of a Brownsfield agreement to reimburse for remediation costs from the property's previous developer to the current applicant.

Ms. Brown concluded that with the Board's action today, we will be able to move forward on the long-awaited redevelopment of a project that will become an asset for the community, the region, and the state with the potential to become a tourist destination and markedly increase the economic vitality of the area.

Chairman Koeppe asked President and COO Lizura to provide an overview of the project before the board.

Mr. Lizura stated the American Dream project is 3.3 million gross square foot of mixed use development. He added that the project is headed by Triple Five which is founded by the Ghermezian family which has several generations of real estate experience.

Mr. Lizura pointed out that unlike a traditional enclosed mall, the project will not be anchored by traditional department stores but will rely on the draw created by a variety of major retail tenants along with various entertainment components, including a movie theater, a performing arts center, a snow dome, an observation wheel, miniature golf and an ice rink, indoor and outdoor amusement park and the water park.

He stated the project will have approximately 7,850 parking spaces consisting of four parking structures and grade level parking under the facility.

The Applicant has engaged Greener by Design LLC, a New Brunswick, NJ based firm that focuses on energy investment and environmental asset management, to assist in compliance with green building requirements.

He stated the Authority performed strenuous due diligence including a Gap Analysis, and a Net Positive Benefit Analysis to determine eligibility for the ERG award. The present value of the Net Positive Benefits to the State, net of the Project's RAB Bonds, is \$487 million.

He noted that the Applicant has a commitment from Deutsche Bank to syndicate a \$700 million senior debt facility and Deutsche Bank has committed to provide \$100 million of this facility. The Applicant also has a commitment from Macquarie Capital to syndicate a \$300 million mezzanine facility and Macquarie has committed to provide \$100 million of this facility.

EDA staff approved outside work including a comprehensive market study on the planned retail and restaurant components of the Project by the Michigan-based, The Strategic Edge. Mr. Lizura stated that because of the complexity of the project, the EDA used JLL Prudential hurdle rate of 16-18 %. With the ERG grant the project was expected to generate at 17.54% IRR.

Cushman & Wakefield conducted an appraisal of the Project site, and Walker Parking Consultants conducted a financial analysis of the Project's parking facilities, which provided an estimate of parking demand as well as the financial viability of the parking facilities.

Mr. Lizura stated that the revenue stream derived from the State Economic Redevelopment and Growth Incentive Grant Agreement will be assigned to the BCIA in order to support the payment of tax-exempt bonds.

He added that Treasury has reviewed the application and has notified the Authority of the adequacy of the project's estimated tax revenues.

In conclusion, Mr. Lizura stressed the following:

- That any change in project scope of 25% or more would require a new approval
- \$1.58 billion in capital expenditures and TCO on the existing retail components will be required within 6 years in order to preserve approval
- Total project will need to be complete within eight years
- No Reimbursement for either the ERG or Brownsfield will be made until the existing retail component is complete (Most of projected sales tax generation will be derived from the retail component.)
- Because of a "turbo" feature on the bonds that will be supported by the ERG payments, ERG bonds could be paid off earlier than their stated maturity. Because the developer has agreed that the ERG agreement ends when the bonds are no longer outstanding, this feature has the potential to) save the state money.
- The NJSEA lease will have to be final before we execute our ERG agreement and lease will contain performance controls and additional profit sharing
- Financing commitments will be required within six months of approval.
- The ERG bonds proceeds will be used towards end of construction to minimize risk for the bondholders and to ensure that the proceeds are actually needed.

Chairman Koeppe stated that he felt confident that the Authority took all measure possible to mitigate risk. He also stated that, as Ms. Brown indicated, an ad hoc committee of the Board was established to review this project and keep the Board involved as it advanced before it went to Incentives Committee.

Chairman Koeppe then asked for questions and comments from the Board.

Larry Downes stated that he believed that a comprehensive review was done on this project and it received extensive review by the Incentives Committee. He stated the project merited approval for several reasons. The first is that it meets all of the statutory and regulatory requirements for the ERG program. The project has as strong applicant and will provide a net benefit to the State. He stated that all appropriate contingencies were met in order to mitigate risk. He further stated that in terms of economic development, this is a strong project due to the number of jobs created. In conclusion, Mr. Downes stated that the program is truly performance based.

Richard Tolson asked if the remediation has been completed other than what is unknown. Mr. Lizura said that was correct. Mr. Tolson also asked if the project was located in an Urban Enterprise Zone. Mr. Lizura stated that it was not.

Joe McNamara stated that is project is a result of a partnership with the developer that created a financing structure that would work out.

Colleen Kokas asked if the costs represented for remediation were accurate. Mr. Lizura responded that they were an estimate. Ms. Kokas expressed concern that the costs for remediation may be overstated.

INCENTIVE PROGRAMS

ECONOMIC REDEVELOPMENT AND GROWTH PROGRAM

ITEM: Ameream LLC, Meadow Amusement LLC and Affiliates
Economic Redevelopment and Growth Grant Program

REQUEST: To approve 1) the 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. The total project costs are estimated to be \$2,581,558,701. The total qualified costs under the ERG Act are \$2,222,620,183. The recommended reimbursement is 17.55% of the eligible costs, not to exceed \$390,000,000; 2) the execution of the State Economic Redevelopment and Growth Grant Agreement among the Authority, the State Treasurer and the Applicant in substantially final form and any assignment agreements necessary to effectuate this transaction, including the assignment of the ERG revenue stream to support bonds; 3) The assignment of an Agreement to Reimburse for Remediation Costs on the amount of 75% of approximately \$36,714,411 in remediation costs from the previous developer to the Applicant.

MOTION TO APPROVE: Mr. McNamara **SECOND:** Mr. Nelson **AYES:** 12
RESOLUTION ATTACHED AND MARKED EXHIBIT: 1

Mr. Sarlo recused himself because his firm has a prior business relationship with the developer.

PUBLIC COMMENT

Mr. Jeff Tittel, Executive Director of the NJ Sierra Club spoke before the board regarding numerous concerns regarding the project including environmental hazards, increased traffic, and energy inefficiencies to the board.

Chairman Koeppe noted Mr. Tittel's concerns and thanked him for his participation, noting that representatives of Triple 5, who were present, would have the benefit of his comments.

Mr. Tony Armlin, Vice President, Development and Construction for Triple 5 thanked the board for its approval of the project today. He stated that the project will become his firm's flagship facility creating tourism and many new jobs. He added that they have an aggressive timeline, with construction rigs on site and would start work today.

There being no further business, on a motion by Mr. Nelson, seconded by Mr. McNamara, the meeting was adjourned at 11:15 a.m.

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.



Kim Ehrlich, Assistant Secretary