



## MEMORANDUM

**TO:** Members of the Authority

**FROM:** Caren S. Franzini, Chief Executive Officer

**DATE:** August 25, 2011

**SUBJECT:** Transfer of Urban Transit Hub Tax Credits from RBH-TRB Newark Holdings, LLC. to Goldman Sachs Bank USA

**Request:**

Consent to the transfer of Urban Transit Hub Tax (“HUB”) credits from RBH-TRB Newark Holdings, LLC (“RBH”) to Goldman Sachs Bank USA (“GS”) upon project completion anticipated to be in 2013/2014. Pre-approval of this transfer request is required to facilitate the New Market Tax Credit (“NMTC”) financing that must close by September 13, 2011.

**Background:**

In July 2010, the Members approved RBH’s HUB in an amount not to exceed \$17,384,620, which represented 20% of the Total Eligible Capital Investment of \$86,923,102 for a mixed-use charter school, residential and retail construction project in Newark.

GS is providing NMTC financing for the residential portion of the above project, and as a condition is requiring the applicant to transfer all of the rights, title and interest of the HUB tax credits, to be issued at project completion to it. Advance approval is required to meet the September 15, 2011 closing deadline for the NMTC facility.

Concurrent with the tax credit transfer, the Members will also be asked to provide final approval for a \$5.265 million Redevelopment Area Bond (RAB) and a \$22.75 million Qualified School Construction Bond (QSCB) for RBH to be issued as part of the above project.

**Recommendation:**

Consent to the advance approval of the HUB tax credit transfer from RBH to GS to facilitate the construction financing of this project with the required closing date for the NMTC financing of September 13, 2011.

Prepared by: Mary Correia

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

**APPLICANT:** RBH-TRB Newark Holdings, Limited Liability Company and P35260

**PROJECT USER(S):** TEAM Charter Schools (SPARK Academy) \* - indicates relation to applicant  
Discovery Charter School  
Great Oaks Charter School  
CHEN School Inc.  
Booker's Diner, LLC  
Other Commercial or Residential Users (TBD)

**PROJECT LOCATION:** William and Halsey Streets Newark City (T/UA) Essex County

**GOVERNOR'S INITIATIVES:**

Urban  Edison  Core  Clean Energy

**APPLICANT BACKGROUND:**

The Authority will be issuing this "federally taxable" up to \$5.265 million non-recourse Redevelopment Area Bond ("RAB") upon request of the City of Newark. Likewise, with a resolution, the State Operated School District of the City of Newark authorized the issuance of \$13 million "federally taxable" Qualified School Construction Bonds ("QSCB") through the Authority in June 2010. There is also a \$9.75 million QSCB allocation for a portion of this project from the State volume limitation through the Authority.

RBH-TRB East Mezz URE, L.L.C. (Phase C), RBH-TRB West 1 Mezz URE, L.L.C. (Phase A1), RBH-TRB 905/909 Broad Mezz URE, L.L.C. (Phase A2), and Newark Teachers Village Urban Renewal, L.L.C (Phase B), affiliates of RBH-TRB Newark Holdings, Limited Liability Company (individually or collectively "Applicant" or "Developer"), will undertake this project, commonly referred to as The Halsey Street Teachers Village ("Teachers Village").

The Teachers Village project consists of approximately 425,000 sf of planned development for downtown Newark and will include workforce housing, schools, and a mix of retail amenities; all for lease or rent. The Teachers Village is located on both sides of Halsey Street, connecting the existing University Heights area with the Prudential Center and the rest of downtown Newark.

Once completed, this 8-building redevelopment project will have 7 newly constructed mid-rise buildings (4-6 stories each) and one gut-rehabilitated 9-story building. The total project cost is estimated to be approximately \$142 million. The Developer has been assembling a diverse source of funding comprised of a RAB, QSCBs, Urban Transit Hub Tax Credits ("UTHTC"), New Markets Tax Credits (NMTC), Casino Reinvestment Development Authority, Housing and Urban Development funding, and conventional financing, among others.

Of the total project cost, approximately \$5.265 million is proposed to be financed through the conduit issuance of a RAB. The key components of this RAB financing, including a pledge of PILOT payments by the City of Newark and the redevelopment plan, were approved by the State Local Finance Board in November 2010. The redevelopment cost for the educational facilities component is approximately \$55.4 million. Of this subcomponent cost, approximately \$22.75 million is proposed to be financed through the conduit issuance of QSCBs, and approximately \$1.8 million is proposed to be financed through the conduit issuance of a \$5.265 million RAB bond.

The proposed educational facilities component of this project, in 2 buildings above approximately 25,500 sf of first floor retail, will consist of approximately 91,000 sf (105,000 sf with a shared gymnasium and rooftop play areas as well as other common areas) for 3 charter schools. The remainder of the educational facilities component will consist of approximately 11,300 sf for a daycare center. Educational facility occupants (all as tenants) are: TEAM Charter School (SPARK Academy division - ~47,000 sf), the Discovery Charter School

(~11,000 sf), the Great Oaks Charter School (~19,000 sf), and the CHEN Daycare (CHEN School Inc. - ~11,300 sf).

The proposed 250,330 gross sf residential portion of this project (Phases A1, A2 and B), in 6 buildings will consist of approximately 205 workforce housing rental apartments over approximately 37,449 gross sf first floor retail.

**QSCB Allocations:** The State-run Newark School District allocated \$13 million of its own 2010 QSCB Local Volume limitation to the Developer for the benefit of TEAM (SPARK Academy division) and the Discovery Charter School. In addition, the EDA has allocated \$9.75 million of QSCB allocation from the State volume limitation to the Discovery Charter School.

**Other EDA Assistance:** In July 2010, the Authority approved a UTHTC (a 20% tax credit, 10% of which will be issued annually over 10 years in a total amount not to exceed \$17,384,620), and an Economic Recovery Growth Grant (ERG) (20% of actual costs, not to exceed \$20,548,344 over 20 years) for this project.

**APPROVAL REQUEST:**

Authority assistance will enable the Applicant to develop this 425,000 sf Teachers Village in an area in need of redevelopment in the City of Newark, including construction of space for lease to schools, retailers and residents, and equip same plus pay the costs of issuance.

Bond issuance approvals are requested for the conduit issuance of a Redevelopment Area Bond in an amount not to exceed \$5.265 million, and a Qualified School Construction Bond in an amount of up to \$22.75 million (\$13 million from the Newark School District volume allocation and \$9.75 million from the State of New Jersey volume allocation that was provided to the Authority).

**FINANCING SUMMARY:**

**BOND PURCHASER:** - The Prudential Insurance Company of America (Direct Purchaser for RAB)  
 - TD Bank, N.A. (Direct Purchaser for QSCB)

<b>AMOUNT OF BOND:</b>	Up to \$5,265,000 "federally taxable" Redevelopment Area Bond	Up to \$22,750,000 "federally taxable" Qualified School Construction Bond, an ARRA/IRC §54A federal tax credit/direct interest subsidy bond
<b>TERMS OF BOND:</b>	Up to 22 years of term (up to 2 years of which interest only); 5% coupon	Up to 17 years bond term with a mandatory tender at the end of Year 7. After 2-year initial interest only period, the bank's funding will be a 5-year term loan based on a 20-year amortization. Interest rate will be fixed at closing based on the bank's 7-year swap rate plus 3.50%. Current indicative fixed rate as of 08/19/2011 is 5.60%.

**ENHANCEMENT:** N/A

**PROJECT COSTS:**

Construction of new building or addition	\$80,495,839
Land	\$21,037,472
Finance fees	\$10,798,677
Renovation of existing building	\$7,258,564
Engineering & architectural fees	\$5,970,191

Interest during construction	\$5,852,260
Other/Contingency	\$2,933,361
Acquisition of existing building	\$2,855,504
Ins./Tax/Comm. etc.	\$2,258,934
Legal fees	\$2,060,000
Environmental Investigation and Redit	\$400,000
Accounting fees	\$350,000
TOTAL COSTS	\$142,270,802

**JOBS:** At Application 62 Within 2 years 34 Maintained 0 Construction 764

**PUBLIC HEARING:** N/A

**BOND COUNSEL:** Wolff & Samson

**DEVELOPMENT OFFICER:** M. Piliere

**APPROVAL OFFICER:** D. Sucsuz



NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

**TO:** Members of the Authority  
**FROM:** Caren S. Franzini, Chief Executive Officer  
**DATE:** August 25, 2011  
**SUBJECT:** VPIsystems Corporation (“VPI”), Somerset, Somerset County, NJ  
\$593,512 Edison Innovation Growth Fund Loan with warrants (P18345)

**Request:**

Consent to a \$2.5 million senior loan, substitution of lender from Comerica Bank to BlueCrest Capital Finance LP (“BlueCrest”) and increase the EDA’s subordination on corporate assets from \$1.5 million to \$2.5 million. As consideration, EDA will obtain a shared lien on intellectual property.

**Background:**

VPI is the surviving entity from the February 2010 merger between Elanti Systems, Inc. (“Elanti”), a spinoff from Telstra, an Australian telecommunications company, and VPI. The merger integrated the companies’ products providing telecom service providers with seamless network support from network planning, design and analytics to real time network monitoring and optimization. Presently, VPI employs 106 employees globally including 37 in its New Jersey offices.

In March 2008, the Members approved a \$1 million Edison loan with warrants to Elanti, secured by a junior lien on all business assets and a springing lien on IP. The Edison loan supplemented a \$2.5 million venture investment to fund new hires and growth capital. In March 2010, the Board consented to Elanti’s merger with VPI and to an increase in senior debt of \$650,000 to allow an existing loan from Silicon Valley Bank (“SVB”) to VPI to remain in place post merger. Concurrent with the merger, the company completed a \$4 million equity round led by Elanti investors NV Partners IV to fund continued operations. In July 2010, the Members consented to a \$1.5 million loan from Comerica to repay SVB and provide additional working capital. To facilitate this financing, EDA was required and consented to subordinate its collateral position on all assets including intellectual property (“IP”) to Comerica.

Presently, the Borrower has requested the Member’s consent to a new \$2.5 million 3-year term loan from BlueCrest to retire the \$1.1 million outstanding under Comerica’s loan and provide \$1.4 million in additional funding. To facilitate this financing, consent to increase EDA’s subordination on corporate assets is required. Staff has negotiated to obtain a parity lien on IP as consideration for EDA consent. Additional equity of \$1 million is being raised from existing investors. Staff reviewed the loan structure and is finalizing an intercreditor agreement acceptable to the Attorney General’s Office.

**Recommendation:**

Consent to a \$2.5 million, 3 year senior loan, substitution of lender from Comerica to BlueCrest and increase EDA’s subordination on its lien on corporate assets. As consideration, EDA will obtain a parity lien position on IP that strengthens the EDA’s collateral position. Authority consent will support continued repayment of EDA’s loan and the preservation of 37 jobs in New Jersey.

**Prepared by:** Paula Durand, Senior Venture Officer