City of Long Branch

Pier Village – Phase 3

RAB Financing

August 28, 2012

Project Description

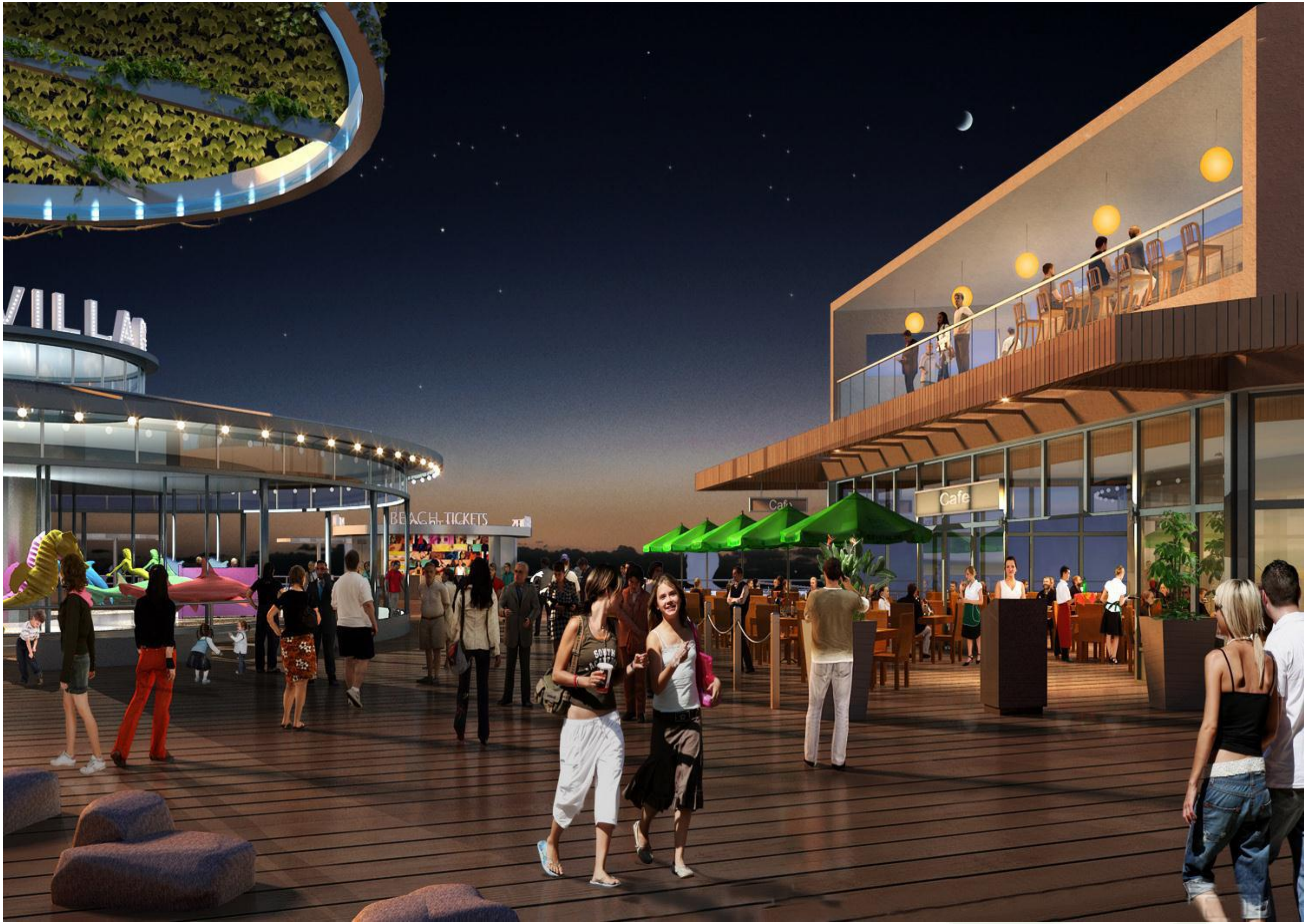
Pier Village Phase 3 (the “Project”) will be completed in two phases with construction commencing in 2012 for Phase 3A and 2014 for Phase 3B

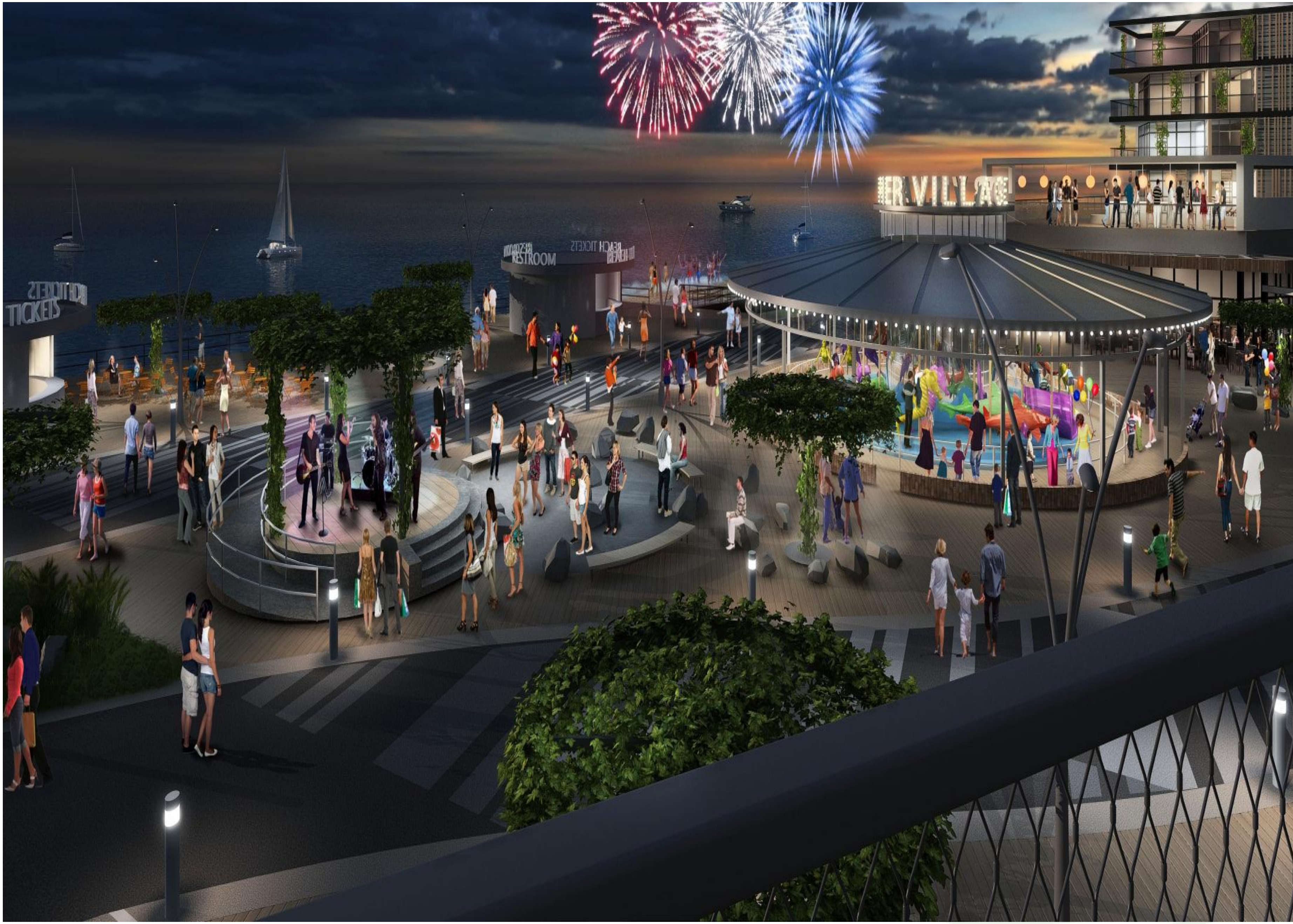
Phase 3A will consist of:

- 60 condominium units
- A 59,810 sq. ft. hotel (includes 11,861 sq. ft. of leasable retail space and 68 hotel rooms)
- 27,905 sq. ft. of leasable retail space
- A 42’ diameter carousel
- Boardwalk improvements and infrastructure, kids play area, and stage

Phase 3B will consist of:

- 240 condominium units
- 21,360 sq. ft. of leasable retail space
- A 286 space self parking garage (with capacity for at least 600 valet/stacker parking spaces)
- The acquisition of land to be used for additional public parking


VILLA
BEACH TICKETS
Cafe


TICKETS
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LUCKY
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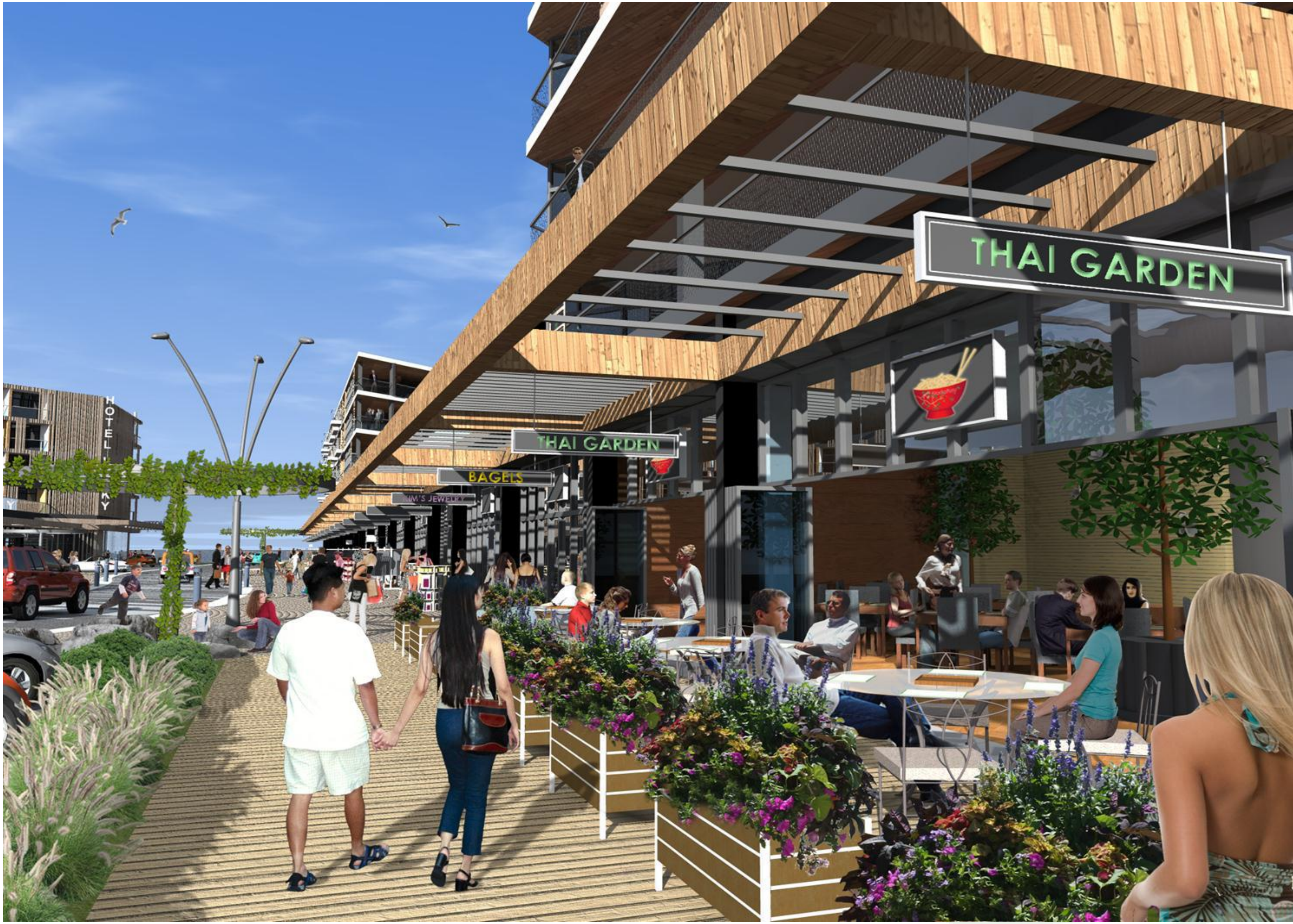
JILL'S BOUTIQUE
TASTY TEAS
SURF SHOP


THAI GARDEN
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BAGELS
HOTEL

Need for Financial Assistance

- The redeveloper requests $19.95 million in “net” Redevelopment Area Bond (RAB) proceeds to ensure project feasibility and that investors achieve an adequate rate of return

- The NJ EDA awarded an ERG grant for this project. NJ EDA requires that a project pass its net benefits test and demonstrate that the project faces a funding gap. The RAB request is over and above the ERG grant provided by the State.

- Based on HR&A’s review of the redeveloper pro forma*, the project faces a funding gap between $21 and $26 million, confirming the redeveloper’s request for financial assistance of $19.95 million.

*Results based on proforma provided by the developer on July 18, 2012

Redevelopment Area Bonds (RABs)

- A tool to provide “gap financing” secured by PILOTs in order to encourage a project that “but for” the municipal participation would not be feasible

- Payments will be made from incremental municipal revenues that occurs as a result of the redevelopment: PILOTs and additional hotel occupancy taxes

- PILOT revenues in this transaction are NOT formally dedicated to pay debt service

- General Obligation Bonds of the City, supported by municipal taxes and the City’s credit, are utilized to create a cost of funds that allows the project to proceed and the City to generate revenues in excess of its costs

Project Financing

Type of Financing – 3A	Amount	Percent of Total
Redeveloper Bank Loan	$44,060,000	58.53%
Redeveloper Equity	24,200,000	32.12%
City RAB Proceeds	7,040,000	9.35%
Total	$75,300,000	100.00%

Type of Financing – 3B	Amount	Percent of Total
Redeveloper Bank Loan	$73,630,000	61.08%
Redeveloper Equity	34,010,000	28.21%
City RAB Proceeds	12,910,000	10.71%
Total	$120,550,000	100.00%

The RAB proceeds and Redeveloper funding will be used proportionally to fund project costs. Repayment of the Redeveloper debt and equity is subordinate to the repayment of the PILOT due to the function of the PILOT as a tax lien.

Uses of Funds

Phase 3A

- Public Infrastructure and Site Work
  - Boardwalk, pavilions, etc
- Carousel
- Financing Costs

Phase 3B

- Public Infrastructure and Site Work
  - Boardwalk, pavilions, etc
- Off-Site Parking Acquisition and Construction
- On-Site Parking
- Retail Space
- Financing Costs

Payment in Lieu of Taxes (PILOTs)

- An amount that a property owner pays to the City instead of real estate taxes on the improvement portion of their property
- All property owners still pay conventional taxes on the land portion of their property
- The amounts due are a municipal lien and collected in the same manner as property taxes
- Term of 30 years from the date of completion of the project or 35 years from execution of the Financial Agreement
- PILOT has been calculated to approximate full conventional taxes
- Even though a portion of the PILOTs will be available to make payments on the Bonds, the City will still receive more revenue than it currently receives from property taxes in the entire redevelopment area
- Neither the issuance of the Bonds nor the PILOT put any additional tax burden on the residents of the City

Obligations of the Redeveloper

- Ironstate Holdings, LLC, the Redeveloper's parent company, will guarantee the payments required to be made by the URE, up to two years after completion

- Construct/install a surface parking lot on the Phase III Parking Parcel and convey ownership to the City

- Construct the Carousel and then convey ownership of it to the City while retaining the obligation to operate it

- Make various other improvements including the boardwalk, concession stands, stage, kids play area, beach access, beach shower, and convey ownership to the City

- Use commercially reasonable efforts to lease a certain percentage of the retail space in the Project to Family Friendly Tenants

- Conditions the Redeveloper's obligation to proceed on:
  - the City receiving LFB approval
  - the Redeveloper simultaneously closing a construction financing and funding equity
  - the existence of market conditions that will allow the RABs to be sold

Financial Benefit

- Excess PILOT Revenue
  - Approximately $150,000 annually from Phase 3A
  - Approximately $425,000 annually from Phase 3B
  - These figures are net of County share, Land Taxes and Debt Service
  - Expected to generate approximately $17,000,000 in revenue over the term of the 30-year PILOT
- Local Hotel Occupancy Tax
  - Estimated to be $130,000 in the first year and increase at the same rate as the PILOTs
  - Expected to generate approximately $5,000,000 in revenue over the term of the 30-year PILOT
- Parking Revenues
  - Estimated to be $50,000 - $75,000 per year
  - Expected to generate approximately $1,500,000 in revenue over the term of the 30-year PILOT
- Additional revenues achieved from the carousel, beach use, and other miscellaneous items

Total Expected Financial Benefit

- **Approximately $23 million in new tax revenue, net of debt service, over the life of the 30 year PILOT**

Non-Financial Benefit

- Public improvements and infrastructure
  - $14 million of the total Project
- Job creation
  - Approximately 700 temporary jobs during construction
  - Approximately 355 permanent jobs
  - 25% of which are expected to be filled by City residents
- Improved City aesthetics and branding
- Beachfront attractions and improvements
- Increased public parking capacity
- Potential link to future Broadway redevelopment

Municipal Costs

- After completion, the Project is expected to generate:
  - 539 new people (using data from a Rutgers University housing study)
  - 6 new school children (using actual data from Pier Village 1 & 2)

- Each additional resident is expected cost taxpayers approximately $651 per year

- Each additional school age child is expected cost taxpayers approximately $9,472 per year

- As evidenced on the next slide, the excess PILOT revenues are anticipated to be sufficient to cover these added municipal costs

*These municipal cost estimates are conservative based on the fact that the study does not account for seasonality of the units.

Net Benefit to City
After Municipal Costs

Phase 3A	
PILOT Revenue	$160,000
Hotel Occupancy Tax	195,000
Total	$355,000
Costs	
Municipal	$85,000
School	8,000
Total	$93,000
Net Benefit	$262,000

Phase 3 Aggregate	
PILOT Revenue	$590,000
Hotel Occupancy Tax	195,000
Total	$785,000
Costs	
Municipal	$430,000
School	40,000
Total	$470,000
Net Benefit	$315,000

Project is designed to provide a level annual net benefit to the City in the approximate amounts detailed above.

Net Present Value Benefit

Costs	
Gross RAB	$24,505,000
Municipal Costs (PV)	5,410,000
School Costs (PV)	480,000
Total	$30,395,000
Benefit	
Gross PILOT revenue (PV)	$32,370,000
Public Improvements	13,690,000
Total	$46,060,000
Net Benefit	**$15,665,000**

Tax Revenue Impact of Pier Village Phases 1 & 2

Block	Current Annual Tax Revenue	Pre-Pier Village Annual Tax Revenue	Tax Revenue Benefit
292.01	$649,736.65	$33,550.61	$616,186.04
225.01 & 225.03	369,343.21	39,613.16	329,730.05
224.01	508,246.44	32,934.10	475,312.34
223	124,861.84	20,852.00	104,009.84
298	99,675.40	13,384.00	86,291.40
290.01	259,141.53	2,357.03	256,784.50
	$2,011,005.07	$142,690.90	$1,868,314.17

Applied Development Company

- Applied Development Company, a subsidiary of Ironstate Holdings, LLC, based in Hoboken, NJ, is one of the largest privately held real estate development companies in the Northeast
- Engages in the development and management of large-scale mixed-use projects
- The Company's diverse portfolio consists of an extensive range of apartments, condominiums, hotels, and retail and recreational spaces
- Continues to own and manage a majority of their portfolio
- Currently engaged in the development of over $1 billion of residential and commercial real estate
- Some of the more notable current projects include:
  - Stapleton Waterfront Development (Stapleton, Staten Island)
  - Liberty Harbor (Jersey City, NJ)
  - Liberty National Golf Course (Jersey City, NJ)
  - Residences at Liberty National (Jersey City, NJ)
  - Harrison Station (Harrison, NJ)
  - Pier Village 1 & 2
  - The Shipyard (Hoboken, NJ)
  - Harborside Financial Center (Jersey City, NJ)