



## MEMORANDUM

To: Members of the Authority

From: Timothy Lizura  
President and Chief Operating Officer

Date: April 13, 2017

RE: **ACB Ownership, LLC**  
Economic Redevelopment and Growth Grant Program  
P #42120

### 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, mixed-use parking project, or a university infrastructure project yield a net positive benefit to the state. With the exception of residential ERG projects, mixed-use parking projects, and university infrastructure projects grants are made annually based on the incremental eligible taxes generated as a result of the project.

The Members are asked to approve the application of ACB Ownership, LLC (the "Applicant") for a Project located South of the boardwalk and West of Martin Luther King Boulevard (the "Project"), for the reimbursement of eligible taxes generated by the project per the 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 Project costs are estimated to be \$138,000,000 and of this amount \$137,900,000 are the estimated eligible costs under the ERG program. The Applicant is eligible for an ERG award of up to 40% of actual eligible costs, since the project is located in a Garden State Growth Zone. However, the Project's estimated collection of taxes over a twenty-year period are not adequate to justify a 40% award. As a result, the ERG award was limited to \$38.4 million, which represents 27.8% of actual eligible costs.

## **Background of US Thrill Rides and the PolerCoaster Concept**

PolerCoaster was originally developed by US Thrill Rides, a company with an extensive background in developing and installing proprietary attractions. In the company's 20-year history, they have installed over 300 different attractions in tourism destinations such as Universal, Six Flags, Paramount, and Mall of America. See below for US Thrill Rides products:

- **SkyCoaster**- A safe alternative to bungee jumping; installed in over 120 theme parks and venues around the world;
- **I-fly**- Indoor skydiving attraction; over 35 have been installed at theme parks, shopping centers, and tourist destinations around the world;
- **UniCoaster**- Circular roller coaster, installed at Mall of America as Nickelodeon's "Brain Surge" and Belmont Park in San Diego;
- **Skyview**- Observation Wheel;
- **SkySpire**- Observation tower with gondolas following the path of spiral helix.

PolerCoaster is US Thrill Rides' most recent innovation. In 2012, the company announced the new attraction, a vertical rollercoaster that twists around a tower and ends with a drop from approximately 350 feet to the bottom of the attraction. The ride's designer observed that theme parks require large tracts of land, and therefore he sought to lower the footprint of a typical rollercoaster ride by developing it vertically.

Currently, there are three other PolerCoaster projects within the United States, in addition to the Project, that are located in Orlando, Florida & Las Vegas Nevada that are in various stages of planning. While there are a few PolerCoaster projects under development and under planning, there are currently no operational PolerCoaster projects in the United States to serve as benchmarks for the subject project.

## **Project Description**

The subject site is approximately 1.32 acres of vacant land, comprised of Block 48, Lots 13, 18, and 19. The location of the Project will be south of the boardwalk and west of Martin Luther King Boulevard.

The Applicant intends to build an entertainment complex of approximately 110,000 gross square feet comprised of the following components:

- The main attraction being the PolerCoaster; a 350-foot-high vertical roller coaster, one of only four presently slated to operate in the US, with a "Giant Drop" thrill ride incorporated within the PolerCoaster Tower. The PolerCoaster will be the only rollercoaster of its kind within the Northeast region of the United States.
- Flight/skydive stimulator
- Extreme ropes course
- Extreme Climbing
- Extreme ninja course
- Tornado ride and/or other similar unicoaster
- Jump shot
- XD theater
- Amusement and arcade games with redemption areas

- Event space
- Retail space
- Food and beverage areas including a restaurant and bar

ACB, Ownership, LLC entered into a preliminary Project License Agreement with Hasbro Inc. on December 23, 2016. The term of the agreement is for 12 months with a yearly renewal. According to ACB, the exact attractions to be included in the complex, other than the PolerCoaster, are expected to change and may or may not include all of the above listed attractions.

Hasbro is a global play and entertainment company founded in 1923 whose vision is committed to “Creating the World's Best Play Experiences”. From toys and games to television, movies, digital gaming and consumer products, Hasbro offers a variety of ways for audiences to experience its iconic brands, including Nerf, My Little Pony, Transformers, Play-Doh, Monopoly, Littlest Pet Shop and Magic: The Gathering, as well as premier partner brands. Hasbro’s 90+ years of rich and deep history can be told in a variety of ways – from key milestones, new brand innovations and immersive entertainment experience to storytelling and the insights and memories of millions of consumers worldwide.

The owners and operators of PolerCoaster intend to charge on a “pay-as-you-go” per ride” model. There will be no flat admission; however, there will be multiple packages offered for multiple rides. The Project is anticipated to open prior to Memorial Day of 2019 and will be open on the weekends from March through May. The park will be open full time during peak season which will be Memorial Day through Labor Day. The Project will be closed for the months of December through February and is projected to operate 154 days per year, respectively.

As per the required green requirement, the construction of the retail component and any other applicable structures will comply with the Green Building Standards set forth in the Green Building Manual. The Applicant intends to select an MEP consultant from the Pay for Performance approved partner list.

John Fotiadis Architect, PLLC based out of New York City will be the designated architect for this Project. Founded in 2009 by John Fotiadis, a licensed architect with decades of international experience, JFA is presently designing projects both in its native New York and abroad. Since the firm’s founding, JFA has designed several notable and iconic projects, two being “Trump Tower in Batumi” in Republic of Georgia in Batumi and “Ankara Castle” in Ankara Turkey.

Tishman Construction Corporation will act as the General Contractor. Tishman is a vertically integrated real estate owner, developer, operator and advisor with roots dating back to 1898. Over the last 30 years, Tishman, has owned and developed roughly 10 million sq. ft. for its own account and has sourced and structured nearly \$8.0 billion of debt and equity for its projects. Further, Tishman has developed, managed and advised on more than 35 million sq. ft. of all types of real estate – including hospitality, retail, residential and office.

As per the market study dated January 11, 2017, JLL estimates that this Project has the potential to create over 400 full time jobs during the construction phase. JLL also confirms this Project will create 150 seasonal onsite, jobs in the local economy.

**Note:**

- (1) The 150-year-round jobs estimate is derived from taking a discount to per park year-round employment industry averages of given both the climate of New Jersey as well as the smaller size of this installation. This figure represents a more than 25% discount to the client provided figures but is more in keeping with published employment per park stats provided by the IAAPA. The Average Salary figures are derived by taking an average of the staff salary estimates provided by the client. So, we have assumed the client employment mix statistics while taking a discount to the overall number of year employees. Part time seasonal employment is not factored in as most of these jobs will have salaries at or below levels that are required to pay NJ state tax.

**Third Party Analysis**

On July 22, 2016 NJEDA appointed Jones Lang Lasalle (“JLL”) an independent third-party firm to provide a thorough investment market analysis that would capture different dynamics and benchmarks related to a Theme Park/Entertainment Park and Retail component. Several conference calls took place with the Applicant’s team to better understand the project outside of the documents that were provided. The analysis provided several assumptions based on:

- **Overview of the PolerCoaster-** A high-level overview of the subject that provided background information necessary to appropriately benchmark and apply investment indicators.
- **Theme Park/Entertainment Park Overview-**Information was provided detailing the national theme park market and Southern New Jersey amusement park market in order to provide benchmarks for the subject project.
- **Retail Market Overview:** This section provided detail regarding the national retail market and the Atlantic City retail to provide benchmarks for the subject property.
- **Economic Impact Assessment:** The study calculated direct and indirect jobs and the economic benefit to confirm/adjust the Applicants estimates of these factors so that they are in line with EDA’s standards.
- **Recommendations:** Based on all the due diligence provided, JLL analyzed the developer’s key assumptions based on the Project and retail market dynamics. The investment recommendations provided to the EDA determined the amount of the award, the net benefit to the State, the number of jobs created, IRR & Unlevered IRR, tax assumptions for a period of 20 years and Capitalization Rates.

The Applicant initially submitted an application requesting an ERG incentive of \$39 million, in addition to requesting that this project be viewed as a “destination,” however due to the lack of third party-documentation and inability of generating sufficient taxable income to support the request, JLL reduced the award to \$26 million. JLL conducted research over a period of five months when they made the determination that the award should be reduced. The two components critical to the success of the Project are related to having (1) a specialized management team to market the Project and (2) Utilizing a Brand that would solicit traffic within the region and outside of the primary market.

Based upon the program regulations and the “Economic Redevelopment and Growth Program Policy Issues” approved at the NJEDA Board meeting on December 14, 2010, the following clarifies the definition of a destination entertainment and retail facility:

- *“When a Project is a destination entertainment and retail facility (projects which contains unique retail establishments, entertainment and or/ sports venues) and the project can demonstrate substantial increased incremental tax revenue (as demonstrated by a market analysis provided by the developer) to the State of New Jersey from other jurisdiction we can allow 100% of the projected incremental ongoing sales tax revenue in the analysis.”*

On December 9, 2016 after several months of negotiating, the Applicant provided the EDA with a proposal from the selected management company: (Icon Attractions) and a fully executed agreement from a Franchised Brand: (Hasbro). The Applicant requested that the project be reviewed again to determine if the necessary benchmarks were achieved by providing updated information and third-party documentation that would re-consider this project to be viewed as a destination. JLL received the request and provided an updated market study on January 6, 2017. The updated due diligence and third party documentation supported the initial request and therefore the award was increased from \$26 million to \$38.4 million. As reported, the JLL states-

“Given the proposed Hasbro branded children’s character based, marketing and customer attraction strategy, along with the retention of experienced amusement management, this project should credibly meet the definition of “destination.” As such, the increase in the award is granted based on the management team and brand.

The following documents were reviewed by JLL to determine all of the concluded information within the body of this memo:

- Market and Proforma Analysis prepared by Global Gaming and Hospitality, LLC and Morrowitz Gaming Advisors (December 11, 2015).
- Supplement to the Market and Pro Forma Analysis prepared by Global Gaming and Hospitality, LLC and Morrowitz Gaming Advisors (March 30,2016).
- CAFRA Permit issued on April 14, 2016 by the State of New Jersey-Department of Environmental Protection
- Ownership structure of ACB, Ownership, LLC
- A Destination Complex-Update (June 30, 2016) by Global Gaming and Hospitality, LLC Morrowitz Gaming Advisors, LLC
- “Economic Redevelopment and Growth Program Policy Issues” Memo (December 14,2010)
- “Supplement to Report Dates December 11, 2015 to incorporate Hasbro License Agreement” (October 21,2016) by Global Gaming and Hospitality, LLC and Morrowitz Gaming Advisors, LLC
- “Financial Model V4 with tax abatement Hasbro Supplement” by Global Gaming and Hospitality, LLC and Morrowitz Gaming Advisors, LLC
- “Atlantic City PolerCoaster- Proposal of services “November 4, 2016) by Icon Attractions
- Ground Lease Agreement dated July 14, 2015 between Boardwalk Piers 2, LLC and ACB Ownership Limited Liability, LLC

The Applicant plans to develop approximately 400 offsite parking spaces at no additional cost. The Landlord owns a garage behind the proposed project that can accommodate over 1,000 vehicles. The landlord also owns approximately 18 acres of land across the street from the project that is available for parking lot use.

The Project is estimated to start construction in May of 2017 with an anticipated opening by Memorial Day of 2019, resulting in a two-year time frame from start to finish. The complex will be open on weekends from March through May, full time during the peak season, beginning Memorial Day weekend through the middle of September (approximately 154 days annually).

### **Project Ownership and Developer Capacity**

Understanding the structure of ACB's ownership and the background of each person that makes up this entity is important due to the high degree of specialization required to operate a theme park. JLL confirmed that each of the owner's core competencies is important as it assesses the company's risk profile along with its capabilities.

ACB ("Lessee") and Boardwalk Piers 3, LLC, a related party of the Applicant ("Lessor") entered into a lease agreement on July 14, 2015 for a term of 20 years at a fixed rate. The lease is contingent on the assistance of the ERG Incentive and if the EDA is not able to assist, the lease becomes null and void.

The ownership of the Applicant entity is comprised of The Robert G. Friedman 2014 Grantor Trust 33.33%, The Bernard Friedman 2014 Grantor Trust 33.33% Primos Polercoaster, LLC 23.34% (current landowners, made up of Mitchell Meckles (50%) Brian Popper (45%) and Erin Kane (5%) and JTW Atlantic City, LLC 10%.

Mitchell Meckles and Brian Popper have a jointly owned company, Boardwalk Piers, which acquired the former Sands Casino Hotel, from Pinnacle Entertainment Inc. for just under \$30 million. Pinnacle bought the Sands Casino Hotel for \$270 million in 2006. Erin Kane, is the director of acquisitions as Popper's properties and is Brian Poppers daughter.

JTW Atlantic City, LLC holds 10% interest in ACB with Joshua Wallack having 100% interest in JTW Atlantic City, LLC. Joshua Wallack will be acting as the managing director of the PolerCoaster. Mr. Wallack has 16 years of operating experience in real estate and the hospitality industry. Mr. Wallack is responsible for the success of and growth of Mangos Tropical Café, the tenth highest grossing restaurant and night club located in Miami, Florida. Mr. Wallack manages all daily operational aspects of Mango's business and anticipates further developing the enterprise into a \$35 million, 64,000 square foot facility, located on International Drive, directly across the street from the proposed Skyplex Development.

Bernard Friedman 2014 Grantor Trust holds 33 1/3% interest in ACB, Ownership, LLC Robert G. Friedman 2014 Grantor Trust, also holds 33 1/3% in ACB, Ownership LLC. The equity being injected towards the Project will be provided by Bernard and Robert Friedman (brothers), who have actively been engaged in the real estate business since 1960, and represent the third generation of real estate entrepreneurs. Robert and Bernard Friedman have a vast background in the real estate industry. The Freidman's have constructed many multiple dwelling properties in Manhattan NY; they also successfully converted eight buildings to cooperatives ("co-op") or condominium ("condo") ownership. Most recently, the Freidman's completed a project containing 30,000 square feet of commercial space in the financial district of Manhattan. Additionally, the Freidman's acquired multiple parcels of land on International Drive

in Orlando where the skyplex project is being built with an expected opening in 2018. Robert and Bernard Friedman were amongst the first to receive an EB-5 loan in New York City for an amount of \$75 million.

### **Ride Consultant**

Francis Stokkel will be overseeing the PolerCoaster from the initial concept to execution. Mr. Stokkel is experienced in overseeing diverse high-end themed entertainment projects throughout the world. Mr. Stokkel will serve as an expert ride consultant for this project and will bring his expertise in management skills, quality assurance timely completion, full-cycle project management, and budgetary planning. Mr. Stokkel plays a critical role to the safety and success of this Project.

### **Management Services**

Icon Attractions (“ICON”) will act as the management company for the Applicant. Icon was founded in 2012 to develop and manage giant wheel attractions, observation attractions and retail experiences to select domestic and international markets. ICON principals Eli Stovall and Curtis Parks are both career hospitality industry professionals that have acquired and operated some of the most recognizable brands in the attraction industry.

Mr. Eli Stoval, is an IAAPA Certified Attractions Executive (“ICAE”) who has more than 16 years’ experience leading multiple attractions in the entertainment and hospitality industry. Mr. Stovall has a portfolio asset management of more than \$500 million of theme parks, water parks, and family entertainment centers. Mr. Stovall has worked with Industry brands such as:

- Schlitterbahn Water Parks and Resorts
- Wet N Wild Waterpark
- Raging Water Parks
- Palace Entertainment
- Elitch Gardens Theme Park
- Darien Lake Theme Park & Resort
- Hawaiian Falls Waterparks
- NASCAR Speedparks

Curtis Parks serves as Chief Operating Officer of ICON. Mr. Parks is an active member of IAAPA (International Association of Amusement Parks and Attractions) and WWA (World Waterpark Association). Mr. Parks previously served as COO and Vice President with PARC Management. Mr. Parks was a part of the founding management team whose efforts enabled the company to launch seven to 25 properties within an 18-month period. Mr. Parks has also worked Industry brands such as:

- Schlitterbahn Water Parks and Resorts
- Wannado City (America’s first play theme park for children)
- Wet N Wild (LasVegas)
- Alfa Smart Parks
- Wild Waters Water Park, Silver Springs Florida
- Florida Resort of Weeki Wachee Springs

Management Services will continue after the Pre-Operational timeframe for a period of five years, as per the agreement.

**Project Uses and Sources**

The Applicant proposes the following uses for the Project:

<i>Uses (thousands)</i>	<i>Total Amount</i>	<i>ERG Eligible Amount</i>
*Land	\$ 0	\$ 0
Construction & Site	\$ 62,800,100	\$ 62,800,100
Professional Services	\$ 2,845,000	\$ 2,845,000
*Financing & Soft Costs	\$ 21,245,000	\$ 21,245,000
Contingency	\$ 2,812,900	\$ 2,812,900
Developer Fee	\$ 100,000	\$
Rides	\$ 48,197,000	\$ 48,197,000
<b>TOTAL USES</b>	<b>\$ \$138,000,000</b>	<b>\$ 137,900,000</b>

All of the above costs are eligible but for the Developer fee of \$100,000.

The Applicant is currently negotiating the financing component with several lenders/investors. ACB anticipates debt financing equal to 70% of project costs for a term not to exceed ten years; the remaining 30% will be injected into the project by way of Applicant equity.

\* Boardwalk Piers 3 LLC, an entity related to the Applicant comprised of: Mitchell Meckles (50%), Brian Popper (45%) and Erin Kane (5%), acquired the land from Pinnacle Atlantic City in 2013. Because the Applicant is securing a ground lease to secure site control for the Project, land is being excluded from Project costs.

\*Soft costs remain under 20% of the project costs and consist primarily of: Interest during construction, license fees of \$2 million, engineering fees of just over \$4 million, in addition to fees such as accounting, architect, appraisal, permits and fees, legal fees, branding, rent, advertising, title fees, blue prints and other miscellaneous fees that the Applicant will be responsible for paying.

<i>Sources of Financing</i>	<i>Amount</i>
Name of Lender/Investor: TBD	\$ 96,600,000
<b>Equity:</b>	
Applicant’s Capital:	41,400,000
Total	<b>\$ 138,000,000</b>

**Gap Analysis**

EDA staff has reviewed the application to determine if there is a shortfall in the project development economics pertaining to the return on the investment for the developer and their ability to attract the required investment for this Project. Staff analyzed the pro forma and projections of the project and compared the returns with and without the ERG over 20 years. The Applicant will utilize an 18-24-month timeframe to build the project and assumes a 20-year cash flow.

<b>Without ERG</b>	<b>With ERG</b>
Equity IRR 16.2%	Equity IRR 18.33%



As indicated in the chart above, the project would not otherwise be completed without the benefit of the ERG. **With the benefit of the ERG, the Equity IRR is 18.33% which is below the Hurdle Rate Model provided by EDA's contracted consultant Jones Lang LaSalle which indicates a maximum IRR of 20% for a Theme Park/Entertainment Venue for a project located in Atlantic County.**

### **Net Positive Benefit Analysis:**

NJSA 19:31-4.5 requires that in order to determine eligibility for the ERG award, the Authority must undertake a fiscal impact analysis by determining whether public assistance provided to the proposed development will result in net positive economic benefits to the State for a period equal to 85% of the useful life of the Project, not to exceed 20 years. The Authority has conducted the required Net Benefit Analysis with the following taxes included in the Net Positive Benefit calculation:

- 1] 66% of the incremental annual corporate business tax;
- 2] 66% of the incremental gross income tax;
- 3] 100% of the incremental one-time tax generated from the Project's construction;
- 4] 100% of the incremental indirect tax revenues from spending and earnings;
- 5] 100% of the projected incremental ongoing sales tax revenue due to the project meeting EDA policy of a destination entertainment/retail facility and demonstrating substantial increased incremental tax revenue to the State from other jurisdictions.

The net positive benefit analysis includes 150 new full time positions with an annual blended wage of approximately <sup>(1)</sup> \$28,000 before benefits, for a total annual payroll of \$28,000. The Net Benefit analysis supports the information noted.

The ERG award to ACB is equal to the lesser of (1) 27.8% the eligible projects costs or (2) an amount that results in the projects present value of the net benefit to the State to be a minimum 110% of the award. The Project's gross present value of the benefit to the State totals \$57.5 million and represents 150% of the proposed \$38.4 million award. As such, the award amount complies with the program.

Staff employed the model that the Authority uses to determine the net benefit of a project to the State of New Jersey. The application for the project was submitted to the EDA on 1/14/16, and the 2012 version of the economic impact model was utilized to calculate the net benefit to the State. Using the salary level of the employees and the estimated capital investment provided by the applicant, the model determined that the net benefit to the State is \$52.3 million over the 20-year period required by the Statute.

### **Other Statutory Criteria**

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

The Project is located in Atlantic City, Atlantic County. Atlantic City was the first jurisdiction after Nevada to implement casino style gaming and for several years enjoyed a monopoly in the northeast (and annual growth gains up until 2006). Atlantic City and its gaming market has been in decline since its gaming peak in 2006. Gross casino revenues in the city declined 41% between the fiscal years 2006 and 2012; in addition, revenues were also down an additional 6.1% in 2013. Property values in Atlantic City have declined from more than \$20 billion in 2010, to \$14 billion in 2013. Fortunes of Atlantic City have been declining due to increased competition from neighboring states Pennsylvania and Delaware.

Atlantic City's struggling gaming market has worsened the City's unemployment rate and median household income. Atlantic City's median household income in 2012 was \$28,041 versus New Jersey's median household income of \$69,667. The City's 11 gambling houses account for almost half of its jobs. The Atlantic Club closed in January taking away 1,600 casino jobs. The closing of Caesars' Showboat on Aug. 31 resulted in the loss of approximately 2,100 jobs. Trump Plaza Hotel & Casino also impacted another 1,000 jobs. Atlantic City's unemployment rate as of May of 2014 was 11% versus New Jersey's unemployment rate of 6.8%.

About one-fifth of the people registered as casino workers with the state Division of Gaming Enforcement live in Atlantic City, the most in a single zip code. Thousands more live in the suburbs such as Egg Harbor Township, Galloway and Pleasantville.

This Project will further the goals of State, regional, and local development and planning strategies. The Project also furthers State Plan policy objectives for ensuring efficient land use by providing an amusement enterprise, in addition to a bar and a restaurant that will in return, promote economic development through infill development and public/private partnerships and promoting design to enhance public safety and encourage and promote well-planned and revitalized communities that aim to sustain the economy in Atlantic City.

Based on the market study prepared by Morrowitz Gaming Advisors, LLC, the Project is economically feasible reflecting the financial strength and prior experience and track record of the Applicant's previous endeavors.

The Project has an anticipated IRR of 16.2% without the ERG and 18.33% with the ERG. As explained previously, the Applicant represents that the ERG incentive grant is needed for the viability of the Project, and without the assistance of the ERG incentive, it is likely that the Project will not move forward.

**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 proposed project will sit in the heart of the Boardwalk, near a critical mass of attractions inclusive of: two casinos, Playground Pier Boardwalk Hall, Tanger shopping outlets, Bass Pro Shop and the Center boardwalk. Improving its existing assets including differentiated amenities has been the key focus as the City aims to transform from a gaming industry to an area providing full service entertainment. The market study prepared by Morrowitz Gaming Advisors, LLC mentions that "As Atlantic City shifts from a gaming destination to an entertainment, meeting and shopping destination, continued investment will be required to ensure that this transition is successful.

As per the Market study prepared by Morrowitz Gaming Advisors, LLC (Dated December 11, 2015), Atlantic City has been at a crossroads for the last several years. Fundamental changes in the competitive and economic environments have changed the market forever. The gaming industry, the key driver of employment and economic growth in the region for several is in decline. The gaming industry and the city of Atlantic City must diversify and that diversification has started, with the success of the Tanger Outlets (formerly The Walk), an outlet center at the gateway to the city, and the addition of other non-gaming focused assets.

Income levels in the local area are below the State average. The median 2015 household income is estimated at \$28,434 in Atlantic City, \$51,450 in Atlantic County and \$70,538 in the State of New Jersey. In recent years, Atlantic City's unemployment rate has remained well above the State average. In 2014, the annual unemployment rate stood at 14.8% in Atlantic City and 10.4% in Atlantic County, compared to 6.6% in the State of New Jersey. The Bureau of labor statistics also tracks unemployment on a monthly basis. Preliminary figures for March of 2015 indicate an unemployment rate of 16.5% in Atlantic City, 11.8% in Atlantic County, and 6.8% for the State of New Jersey. Additionally, Atlantic City is ranked # 559 in the MRI index, is a Distressed Community and is designated as an Urban Aid Municipality.

The development of this site into an entertainment enterprise will support the transformation of Atlantic City into a family oriented destination rather than solely a gaming destination. The site is ideally located in an area that will attract a favorable amount of traffic.

The Applicant received a letter of support for the Project from Mayor Donald A. Guardian. The letter of support acknowledges that the proposed project is consistent with the goals of the Tourism District Master Plan and the State's efforts to revitalize Atlantic City.

### **Recommendation**

Authority staff has reviewed ACB Ownership, LLC application and finds that it is consistent with eligibility requirements of the Act. The Treasury has reviewed the application and notified the Authority of the adequacy of the Project's estimated tax revenues and specified the percentage reimbursement of total project costs. Therefore, it is recommended that the Members approve the application and authorize the CEO of the Authority to execute an Incentive Grant Agreement with the Applicant and the State Treasurer, subject to final review and approval of the Office of the Attorney General. All disbursements under the ERG program are subject to annual appropriation by the New Jersey State Legislature.

Closing of the ERG Agreement and the reimbursement of any taxes is contingent upon the Applicant meeting the following conditions regarding the Project within twelve months of approval:

1. Financing commitments for all Project funding sources are consistent with the information provided by the Applicant in its application to the Authority for the ERG; and
2. Evidence of site control and site plan approval for all properties within the Project;
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. Documentation that the Project is not using other State or local incentives;

Project to reach completion within three years from the date of approval.

Reimbursement shall commence upon:

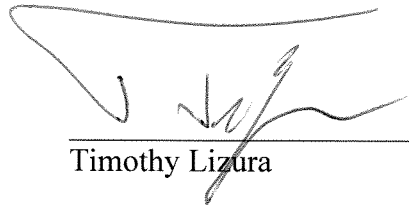
1. Completion of construction and issuance of a permanent Certificate of Occupancy;
2. Submission of a detailed list of all actual eligible costs, which costs shall be satisfactory to the NJEDA; and
3. New tax revenues have been paid to the NJ Treasury and appropriated.

The NJ Treasury annually tracks taxes received from job sites and remits reimbursement equal to a percentage of funds collected during the year.

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

**Total Actual Eligible Project Costs: \$137,900,000.**

**Eligible Tax Credits and Recommended Award: 27.8%** of actual eligible costs, not to exceed \$38,400,000 to be paid over 20 years.



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Timothy Lizura

**Prepared by:** Jenell Johnson