



FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY

ECONOMIC DEVELOPMENT CONVEYANCE APPLICATION



FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY
2-12 Corbett Way
Eatontown, NJ 07724

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GLOSSARY

Acronyms:

BRAC:	Base Realignment and Closure is the process used by the federal government to close or realign military installation which have been determined to be excess.
CERCLA:	<p>Comprehensive Environmental Response, Compensation, and Liability Act</p> <p>According to the U.S. Environmental Protection Agency: “CERCLA (commonly known as ‘Superfund’) established prohibitions and requirements concerning closed and abandoned hazardous waste sites; provided for liability of persons responsible for releases of hazardous waste at these sites; and established a trust fund to provide for cleanup when no responsible party could be identified.</p> <p>CERCLA authorizes two kinds of response actions: Short-term removals, where actions may be taken to address releases or threatened releases requiring prompt response; or long-term remedial response actions, that permanently and significantly reduce the dangers associated with releases or threats of releases of hazardous substances that are serious, but not immediately life threatening.”</p>
COAH:	Council on Affordable Housing (State of New Jersey agency) is the State agency responsible for establishing and monitoring municipal affordable housing obligations in New Jersey.
DoD/DOD:	U.S. Department of Defense
DU, DU/AC:	Dwelling Units, Dwelling Units per Acre
EDC:	Economic Development Conveyance is a method of transferring property to a local redevelopment authority with the main purpose being job creation
ESP:	Early Sale Parcel(s) are the areas of Fort Monmouth that have been identified as the first to be sold.
FMERA:	Fort Monmouth Economic Revitalization Authority was created by the state of New Jersey to manage the redevelopment of the Fort.
FMERPA:	Fort Monmouth Economic Revitalization Planning Authority was the predecessor to FMERA which oversaw the creation of the Reuse and Redevelopment Plan
FOST:	Finding of Suitability to Transfer is the document that confirms that the property is environmentally suitable to transfer by deed under CERCLA.
IRP:	Installation Restoration Program is the Department of Defense’s environmental cleanup program.
LRA:	Local Redevelopment Authority is the agency charged with managing the redevelopment of a former military installation that has been closed under BRAC.
MOA:	Memorandum of Agreement is the written contract between FMERA and the Army
NJEDA:	New Jersey Economic Development Authority
OE:	Office of Economic Adjustment is the DoD’s field organization for supporting state and local governments to respond to major defense program changes.

- PBC:** Public Benefit Conveyance allows the Federal government to transfer title of surplus property to qualified State and local governmental agencies and private nonprofits for public uses for up to a 100% discount.
- PSF:** Price per square foot of building area.
- SF:** Square foot of building area.
- SID:** Special Improvement District is an organization created to within a designated area.

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SECTION 1: EXECUTIVE SUMMARY

The US Army's (Army) Fort Monmouth, in use since 1917, was designated for closure in the Base Realignment and Closure (BRAC) Commission report which was accepted by Congress in November 2005. Since that time there has been extensive work by the State of New Jersey, local communities within Monmouth County, and concerned stakeholders to ultimately prepare for the transfer of the former post from the federal government to a local redevelopment authority. Ostensibly, the local redevelopment authority is in the best position to make long-term investments in infrastructure and economic development programs as well as to establish land use mixes that balance highest and best use principles with overall community objectives.

Throughout the planning process, the local community and Department of Defense (DoD) have worked to collaboratively create win-win solutions to the many challenges commonly faced by complex redevelopment projects. While there remain hurdles relating to environmental remediation, infrastructure rehabilitation, and place-making of the former fort as a mixed-use major asset development, a partnering relationship has been forged to mutually accept risk and responsibility for revitalization of the property and surrounding economy. To that end, the following application for transferring the predominance of the property via an Economic Development Conveyance (EDC) demonstrates the following:

- The Implementing local redevelopment authority established as the Fort Monmouth Economic Revitalization Authority (FMERA) by the State of New Jersey Economic Development Authority (NJEDA) is legally authorized to receive the transferred property and to act with successors and assigns for the life span of the redevelopment effort,
- The structure of the financial plan for FMERA and cost and revenue sharing agreements negotiated by FMERA and the Army will provide sufficient working capital and cash flow to sustain solvency, and
- FMERA has the organizational structure and technical expertise to operate infrastructure systems, manage capital improvement programs, and serve as real estate broker/developer to achieve sales proceeds to both provide a reasonable return to the Army and funds for reinvestment to achieve successful conversion of the former fort.

Successful Navigation of the Redevelopment Process

The local redevelopment authority, designated as the Fort Monmouth Economic Revitalization Planning Authority (FMERPA), was established on April 28, 2006 for the purposes of overseeing the creation of a redevelopment plan for Fort Monmouth. The first step in the process was the preparation in 2007 of an Existing Conditions Memorandum, followed by the Fort Monmouth Reuse & Redevelopment Plan ("Reuse Plan" or "Plan"), which was completed in August 2008 after a substantial public engagement process with the local communities and other stakeholders. The Reuse Plan provides for total redevelopment of the property with 1585 residential dwelling units (DU), 2,100,000 square feet (sf) of commercial office, 390,000 sf of retail, 325,000 sf of hotel/conference space, and 525,000 sf of community buildings.

Subsequently, the Fort Monmouth Economic Revitalization Authority (FMERA) was established in late 2010 to be the implementing local redevelopment authority to receive property from the Army and serve as steward in converting it to the mutual benefit of the community and Department of Defense. FMERA's charter is intended to establish best practices for redevelopment of the property and maximize the potential for the financial and economic success. Accordingly, this EDC application is based on a detailed business plan and a market analysis which have been updated since the 2008 recession to better refine revenue forecasts, phasing strategies, and

capital investment requirements. It should be emphasized that the intent of FMERA is to implement the Reuse Plan to the extent practicable while responding to market opportunities.

An EDC Approach based on Best Value Principles

This EDC application will provide an overarching approach to the transfer of property to FMERA under the concept of providing the Army with “best value” as opposed to “fair market value”. While not mutually exclusive, best value approaches balance the need to both provide a return on investment and produce job creation. Best value approaches inherently reflect the potential need to use discounted property values (and other economic incentives) to attract sustainable, long-term employment.

Within this EDC application the property intended for transfer is referred to as Phase 1. The remainder of the Fort will remain in the control of the Army and may be transferred to FMERA at a later date. The Phase 1 transfer has been analyzed independently of the other Fort property.

Phase 1 consists of approximately 566 acres of land. 490 acres are in the Charles Wood area in the townships of Tinton Falls and Eatontown and the other 76 acres are in the Main Post, split between Eatontown and Oceanport. Property within the Charles Wood area includes the 674,000 sf Myer Center and its surrounding land, the Howard Commons housing complex, the existing post golf course and four smaller parcels to be transferred to the local communities for public use. The remaining Tinton Falls acreage of about 204 acres. In the Main Post, the Phase 1 property includes Parcel “B”, about 54 acres adjacent to Highway 35, the Marina and the Clinic. The Phase 1 EDC will be parcelized by FMERA and sold “As-is” to third party developers through a public sale process. The third parties will be responsible for demolition if required. The parcels jointly selected by the Army and FMERA are considered to have limited environmental impairment and therefore are considered relatively ready for development and subject to reasonable market discounts in a competitive property disposition process.

The Phase 1 parcels will have a development potential of about 537 residential DU’s, and 1.7M sf of commercial office and retail floor space. It is anticipated that the property offering will require purchasers to also participate in infrastructure programs and make payment of prevailing impact fees to support the converted land uses and mitigate potential impacts related to growth. FMERA will work with the affected communities of Tinton Falls, Eatontown, and Oceanport to offset direct costs related to services during the planning and entitlement of Phase 1 properties by the third party developers and intends to accrue sales proceeds to provide financial reimbursement.

Several properties, including the McAfee Center will not be included within the Phase 1 EDC boundary, but, per the Memorandum of Agreement, will be available for lease by FMERA and are expected to generate significant revenues. The business plan has assumed that these leases will be renewed every two years and extend throughout the 20-year pro forma.

The sale of property within Phase 1, combined with the additional leasehold revenue, is forecasted to generate proceeds of about \$132M after commissions and sales expenses. Based on negotiations between the Army and FMERA, the EDC application will provide for an equitable split of revenue between the parties. The revenue split will vary depending on the parcel and the formulas are detailed in Section 3.4.

A process for approving bids is being negotiated by the Army and FMERA to maximize value and avoid the disposition of property under a distressed pricing condition. Further, the absorption of Phase 1 properties may compete for market share in early years of the development so segmentation of the market into multiple price points backed with master developer branding and marketing will be keys to success. Based on forecasts, the Army would receive about \$79M and FMERA about \$53M. FMERA intends to reserve approximately \$9M for mitigation of expenses incurred by Tinton Falls, Eatontown, and Oceanport during the initial four years of the program. FMERA forecasts a surplus of approximately \$9M will be available, net of operating expenses, for the 20-year period. By agreement, the Army will outsource and contract for site management (i.e., caretaker duties) for an interim period during Phase 1.

Phase 1 must provide funds for extensive capital improvements that will need to be supported by real estate values and the cash flow from property sales or property management (leasing). The most salient costs that will require developer investment are: Tenant Improvement costs (\$8.0M) and Public Infrastructure (\$32.4M). Approximately 50 acres of Phase 1 land will remain after 20 years based on current market absorption forecasts. The assumption is that the value of land will exceed the cost of remaining demolition and, therefore, be carried by the property into the future.

Creating Economic Strategies to Off-set Job Losses and Improve the Property

When fully operational, Fort Monmouth had a total economic impact of \$2.5 billion, according to the 2008 *Rethinking Fort Monmouth* report by the New Jersey Department of Labor and Workforce Development. The closure of the base could result in a reduction of almost 10,000 total jobs (5,300 direct and 4,500 indirect). Job losses would likely be the greatest in the scientific research and development and the telecommunications industries. Overall, statewide total losses in earnings due to closing the base are estimated to be approximately \$900 million.

Redevelopment of Fort Monmouth has the potential to generate substantial new employment, particularly in each of the three towns in which it is situated. A portion of the Charles Wood area – a 54-acre tract designated Parcel E – is expected to generate 1000 jobs over the next 2 years and 3000 jobs in the next decade. In addition to Parcel E, the redevelopment of Fort Monmouth is likely to generate the following range of long-term employment impacts:

- A reuse of 500,000 square feet of existing commercial buildings is anticipated to create as many as 750 jobs on site in the early development horizon
- Average annual job growth of 100 workers, concentrated in the professional services, R&D, health care, and retail industries is expected based on new development in the Reuse Plan
- Therefore, within 20 years, direct on-site employment could be as high as 5750

The projections for annual job growth of 100 for the redevelopment were developed using industry standards of 307 SF per worker for office; 667 SF per worker for retail, 0.67 workers per key for hospitality, and 0.05 workers per unit for multi-family residential.

In addition, indirect employment gains are also expected to occur in an escalating manner over the course of the 20-year development period as new development gains momentum and adaptive reuse space is absorbed. Because of the difficulty in forecasting growth in the current economy, reasonably conservative growth rates have been assumed over the 20 year period studied for the EDC application. Consequently, an inventory of

about 50 acres of land may be available for subsequent development (after 2031) or to accommodate more robust growth than forecast over the next 20 years. More optimistic growth may occur at Fort Monmouth because of the synergies provided by a recovering national economy and a well-positioned major asset development proximate to New York City and the Garden State Parkway. At full build-out, the program for Phase 1 has the potential to replace a significant portion of the jobs lost by the base closure.

Environmental Considerations

Environmental cleanup and closure is currently under Army control, assessment and remedial action under the Installation Restoration Program (IRP) program as required by the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) as amended, and Base Closure and Realignment (BRAC) and the Defense Authorization Act 1990 (the Act).

SECTION 2: PROJECT NARRATIVE

2.1 Property to Be Conveyed

The Fort Monmouth property (“the Fort” or “the Post”) includes 1126 acres in Monmouth County, New Jersey. The property is split into two general areas (Main Post and Charles Wood) and is situated across three townships: Tinton Falls, Eatontown and Oceanport. This EDC application will provide an overarching approach to the transfer of property to FMERA under the concept of providing the Army with “best value” as opposed to “fair market value”. While not mutually exclusive, best value approaches emphasize a combination of return on investment and job creation. Best value approaches inherently reflect the potential need to use discounted property values (and other economic incentives) to attract sustainable, long-term employment.

Within this EDC application the property intended for transfer is referred to as Phase 1. The remainder of the Fort will remain in the control of the Army and may be transferred to FMERA at a later date. The Phase 1 transfer has been analyzed independently of the other Fort property.

As enumerated below in Exhibit 2.1-A, Phase 1 consists of approximately 566 acres of land. 490 acres is in the Charles Wood area in the townships of Tinton Falls and Eatontown and the other 76 acres is in the Main Post split between Eatontown and Oceanport. Property within the Charles Wood area includes the 674,000 sf Myer Center and its surrounding land, the Howard Commons housing complex, the existing post golf course, four smaller parcels to be granted to the local communities for public use. The remaining Tinton Falls acreage is about 204 acres. In the Main Post, the Phase 1 property includes Parcel “B”, about 54 acres adjacent to Highway 35, the marina and the Clinic. The Phase 1 EDC will be parcelized by FMERA and sold “As-is” to third party developers through a public sale process. The third parties will be responsible for demolition and environmental remediation if required. These parcels, which were jointly selected by the Army and FMERA, are considered to have limited environmental impairment and therefore should be considered relatively ready for development subject to only normal market discounts in a competitive property disposition process.

Exhibit 2.1-A: Phase 1 Land Use Summary

FORT MONMOUTH EDC - PHASE 1 LAND USE SUMMARY		
	Land Use	Area
Charles Wood		
Eatontown		
	Medium Density Residential	60.52
	Passive Open Space	25.35
	Recreational Open Space	141.39
	Retail	2.61
	Special Use	5.20
Eatontown (CW) Total		235.08
Tinton Falls		
	Community	19.71
	Low Density Residential	34.79
	Medium Density Residential	16.59
	Mixed / Multi Use	12.28
	Office / R&D	81.66
	Passive Open Space	55.71
	Recreational Open Space	33.08
	Retail	0.64
Tinton Falls Total		254.47
Charles Wood Total		489.55
Main Post		
Eatontown		
	Mixed / Multi Use	35.06
	Passive Open Space	7.22
	Recreational Open Space	11.82
Eatontown (MP) Total		54.10
<i>Eatontown Total</i>		<i>289.18</i>
Ocearport		
	Office / R&D	15.38
	Passive Open Space	6.31
	Retail	0.57
Ocearport Total		22.25
Main Post Total		76.35
Phase 1 Total		565.90

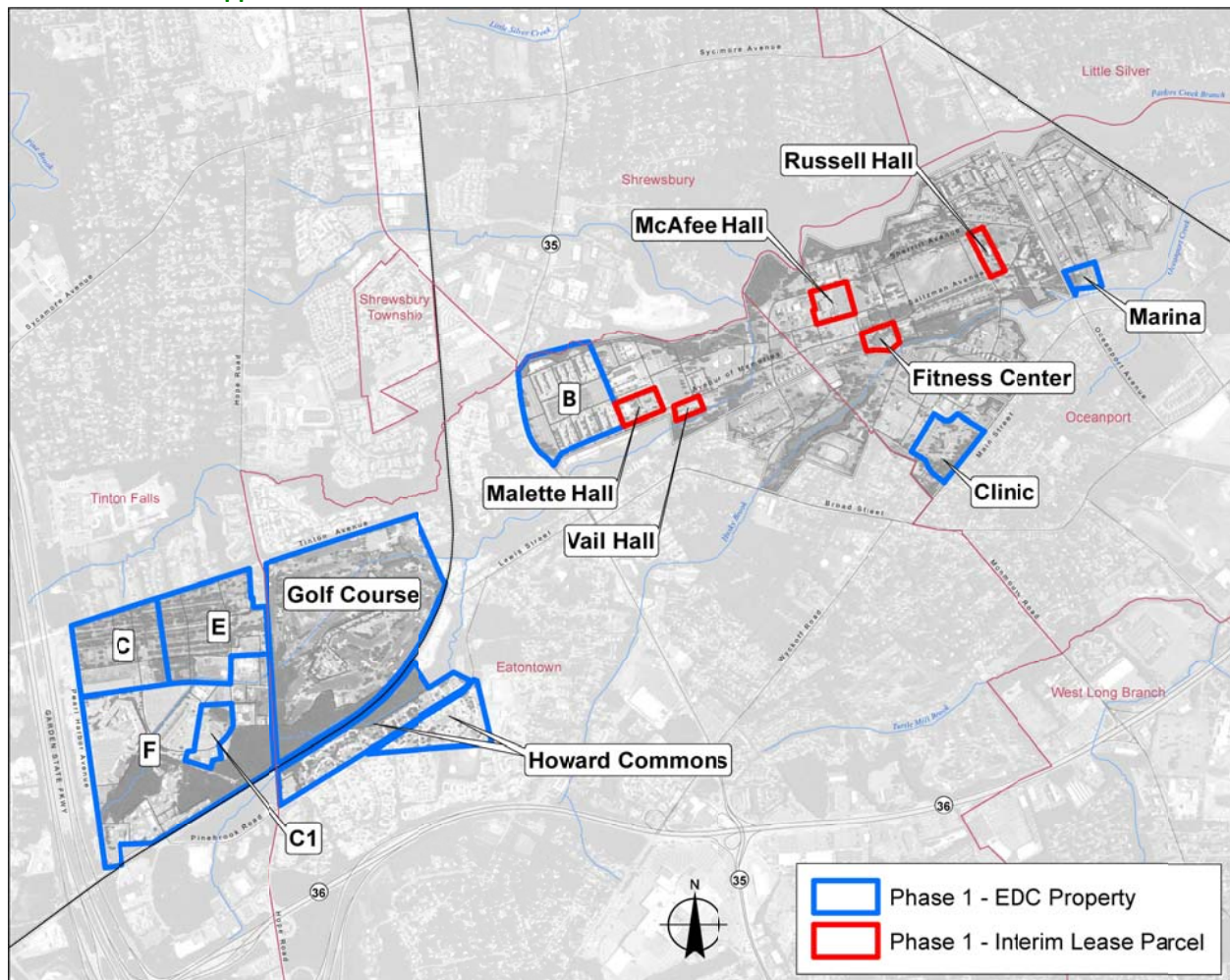
The Phase 1 parcels have a development potential of about 537 residential DU's, and 1.7M sf of commercial office and retail floor space (including the Myer Center). It is anticipated that the property offering will require purchasers to also participate in infrastructure programs and make payment of prevailing impact fees to support

the converted land uses and mitigate potential impacts related to growth. FMERA will work with the affected communities of Tinton Falls, Eatontown, and Oceanport to off-set direct costs related to services during the planning and entitlement of Phase 1 properties by the third party developers and intends to accrue sales proceeds to provide financial reimbursement.

FMERA is actively marketing the property to prospective purchasers or tenants for the Phase1 properties, and will endeavor to position the property to avoid cannibalism of the market as properties are made available. FMERA will have the ability to lease or sell properties to best match market demand, although the cost of maintaining properties pending disposition is a function of the market and timing of issuance of Findings of Suitability to Transfer (FOST).

Exhibit 2.1-B delineates the boundaries for the Phase 1 transfer.

Exhibit 2.1-B: EDC Application - Phase 1 Areas



2.2 Fort Monmouth Reuse & Redevelopment Plan

The US Army's Fort Monmouth, in use since 1917, is scheduled to be closed as part of the 2005 Base Realignment and Closure (BRAC) Committee report. A local redevelopment authority was created, known as the Fort Monmouth Economic Revitalization Planning Authority (FMERPA), on April 28, 2006, for the purposes of overseeing the creation of a reuse and redevelopment plan for Fort Monmouth. The first step in the process was the preparation in 2007 of an Existing Conditions Memorandum, followed by the Fort Monmouth Reuse & Redevelopment Plan ("Reuse Plan" or "Plan"), which was completed in August 2008 after a substantial public engagement process with the local communities and other stakeholders.

One of the first steps in the planning process was the establishment of objectives to ensure that the redevelopment of Fort Monmouth would result in the creation of a Sustainable Technology Community, one of the State of New Jersey's primary goals for the Fort's redevelopment. Those objectives included the following:

- Promote the Technology Corridor Initiative
- Be consistent with State, County, and Municipal planning policies
- Focus on business retention and attraction, job replacement, and employee training
- Be founded on market and economic analysis
- Address homeless, COAH, and workforce housing needs
- Leverage Fort assets (people, infrastructure, location)
- Be a green community model

In addition to these objectives, the planning team and community stakeholders established a set of seven Planning Principles to guide the preparation of the Reuse & Redevelopment Plan. Those seven principles set the foundation for the land use concepts and plans, described below.

2.2.1 Land Use Concept

The concepts behind the Fort Monmouth Reuse & Redevelopment Plan were based on the following seven guiding principles that describe how and where the property should be redeveloped and provide themes for the overall character of the property:

- Principle # 1: Decreasing Density West to East and Create Mixed-Use Live/Work/Leisure Centers
- Principle # 2: Link centers and increase mobility with connected transit infrastructure serving the region and the Fort
- Principle # 3: Enhance auto mobility and redevelopment capacity with targeted roadway infrastructure improvements
- Principle # 4: Combine open space, habitat, and water resources to establish a continuous Blue – Green belt
- Principle # 5: Utilize the Blue – Green belt as an armature for enhanced bicycle and pedestrian mobility throughout the Fort
- Principle # 6: Remove Fort boundaries and extend existing land uses to reconnect the Fort to the communities
- Principle # 7: Leverage existing Fort Monmouth assets (People, Buildings, Technology, and Infrastructure)

Based on these principles, the Fort Monmouth Concept Plan was developed as shown in Exhibit 2.2.1. To geographically reflect the land use concept developed for Fort Monmouth, the property was divided into four Reuse Areas. Each of these four areas has its own existing and proposed character and land use mix. The following descriptions for these four areas are taken from the Fort Monmouth Reuse & Redevelopment Plan:

Tinton Falls Reuse Area

The Tinton Falls Reuse Area covers the properties extending from the western-most border of Fort Monmouth to Hope Road (and is bounded on the North by Tinton Avenue). The Reuse Plan for this node envisions a Mixed-Use, High-tech Business Center with a multi-use town center containing store-front retail with the potential for mixed-income housing or professional offices above, institutional uses such as a library, and professional office space. The main corridor of the area extends from the existing Tinton Falls Municipal Complex. Additional civic uses are focused on education and development and include reuse of the existing child development center, teen center, and community center and pool. Open space amenities define the areas and are interspersed throughout in the form of a civic green, small neighborhood parks, connecting trails, and a central park with active recreation linked to the Fort-wide Blue-Greenbelt.

Eatontown (Charles Wood) Reuse Area

The Eatontown Reuse Area is divided into two development areas, the western section is composed of approximately 235 acres in the existing Charles Wood Area, and the eastern section composed of 219 acres in the Main Post Area. The Suneagles Golf Course encompasses the majority of the western development area, with the existing Howard Commons housing area covering the remaining portion. The Suneagles Golf Course is envisioned to remain as a golf course in perpetuity with a potential conference center and resort-style lodging. Although the existing units in the Howard Commons area are not deemed appropriate for reuse, this area is a suitable area for mixed-income housing.

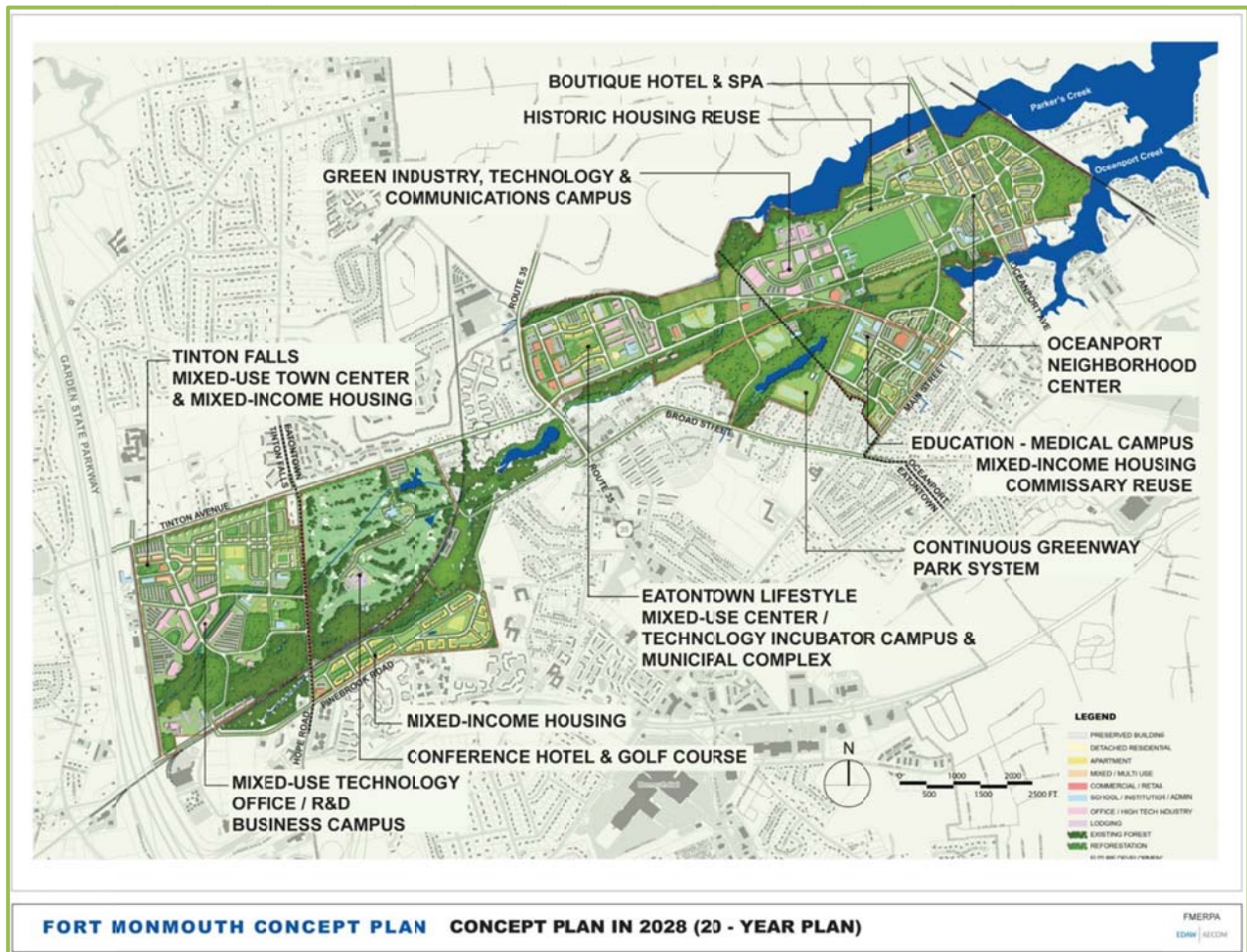
Eatontown (Main Post) Reuse Area

The Eatontown (Main Post) Reuse Area contains a variety of development nodes, including a Lifestyle/Town Center with an Incubator office node to the East and professional offices to its south, a Municipal Complex, and a Recreation/Civic Use area. A special feature of note in this area is the presence and reuse of geothermal well fields. The proposed Town Center is centered around the well fields, which would be reused for their current purpose as well as remain as an open green space free of built structures, providing both active and passive recreational opportunities.

Oceanport Reuse Area

The three major nodes proposed within the Oceanport Reuse Area include a High Tech/Green Industry Cluster, Education/Medical Campus, and Oceanport Neighborhood Center. In addition, a boutique hotel and spa and historic housing area provide two additional character areas. Expansive green space is provided in the center of the Oceanport Reuse Area, where the Parade Ground is to be preserved.

Exhibit 2.2.1: Fort Monmouth Concept EDC Buildout



2.2.2 Land Use Types and Descriptions

The following exhibits show the 20-year concept plan, described above, in greater detail for the four key Reuse Areas. Each of these exhibits includes a list of existing or proposed buildings, sites, or facilities that reflect the intended land use types. While market conditions may drive the phasing and parcelization of property to be developed, it is the goal of FMERA to maintain the mix of land uses established by the Reuse Plan to the extent practicable.

Exhibit 2.2.2-A: Tinton Falls Reuse Area Detail Plan



Exhibit 2.2.2-B: Eatontown (Charles Wood) Reuse Area Detail Plan



Exhibit 2.2.2-C: Eatontown (Main Post) Reuse Area Detail Plan



Exhibit 2.2.2-D: Oceanport Reuse Area Detail Plan



2.3 Consequences of Closure on the Local Community

The following sections describe the consequences of closure on the local community.

2.3.1 Adverse Economic Impact to the Region

When fully operational, Fort Monmouth had a total economic impact of \$2.5 billion, according to the 2008 *Rethinking Fort Monmouth* report by the New Jersey Department of Labor and Workforce Development. The closure of the base could result in a reduction of almost 10,000 total jobs. Job losses will likely be the greatest in the scientific research and development and the telecommunications industries.

While it is anticipated that closure of the base will result in 5,300 direct job losses, there will likely be significant indirect job losses as well. An analysis conducted by the Department of Defense suggested that each direct job loss resulting from closure of the base would also result in almost one indirect job loss in the area, or a total of 4,500 indirect jobs. It is estimated that for each lost dollar of spending by base employees and residents,

another \$0.80 is lost in spending in the surrounding area. Similarly, for each lost dollar of earnings by base employees, another \$0.45 in earnings is lost in the area. Overall, statewide total loss in earnings due to closing the base is estimated to be approximately \$900 million. It is unclear at this time what the total loss of business activity in the surrounding area due to the closure of the base would be, but given the nine decade long integration of the fort occupants and employees with the surrounding communities, it will likely be catastrophic.

2.4 EDC Justification

2.4.1 Job Creation

The redevelopment of Fort Monmouth has the potential to generate substantial new employment, particularly in each of the three towns in which it is situated. The tables below show the estimated direct job generation that would occur in each town due to redevelopment of the Post over the next 20 years consistent with market absorption of available real estate. Construction labor or short-term employment generated by new development is not included in the figures cited here. The redevelopment of Fort Monmouth is likely to generate the following range of long-term employment benefits:

- Average annual job growth of 100 workers, concentrated in the professional services, R&D, health care, and retail industries is expected based on new development in the Reuse Plan
- Therefore, by 2030, direct on-site employment due to new development could be as high as 2000

In addition, indirect employment gains are also expected to escalate over the course of the 20-year development period as new development and adaptive reuse space is absorbed. Because of the difficulty in forecasting growth in the current economy, reasonably conservative growth rates have been assumed over the 20 year period studied for the EDC application. Consequently, there will remain an inventory of about 120 acres of land available for subsequent development (after 2031) or to accommodate more robust growth corresponding with the combination of a recovering national economy and well-positioned major asset development proximate to New York City and urban growth corridors in the Northeast. At full build-out, the program has the potential to fully replace jobs lost by the base closure.

Exhibit 2.4.1-A: Total Direct Job Growth – Phase 1

Total Direct Job Growth

	Tinton Falls	Oceanport	Eatontown	Total
Office	1,887	-	-	1,887
Retail	11	-	61	72
Multifamily Residential	11	-	14	25
Total	1,909	-	74	1,984

Note: projections include redevelopment of the Charles Wood section of the site only

Exhibit 2.4.1-B: Average Direct Job Growth – Phase 1

Average Annual Direct Job Growth				
	Tinton Falls	Oceanport	Eatontown	Total
Office	95	-	-	95
Retail	-	-	5	5
Multifamily Residential	-	-	-	-
Total	95	-	5	100

Note: projections include redevelopment of the Charles Wood section of the site only

The above table represents projected job creation for the employment-generating uses included in EDC Phase 1. The projections were developed using industry standards of 307 SF per worker for office; 667 SF per worker for retail, 0.67 workers per key for hospitality, and 0.05 workers per unit for multi-family residential. The redevelopment of the Myer Center for future office use will be a particular challenge given the large size and nature of the existing structure, which may be economically infeasible to subdivide into small tenant spaces, as well as the need for significant capital upgrades either by a developer or tenant to make the building attractive to modern tenants. A potential redevelopment program for the Myer Center might include a mix of traditional office space and less job-intensive uses consistent with the building's configuration, such as R&D or data center uses. As such, the employment projections for the redevelopment of the Myer Center assume 512 SF per worker, which is the average rate between an office and data center use according to industry sources.

Parcel E – a 54-acre site in Tinton Falls – is expected to generate 1000 jobs over the next two years and 3000 over the next decade. This job creation is expected to be additive to the jobs created by the underlying market demand.

2.4.2 Stabilization and Enhancement of Local Economic Conditions

The redevelopment on the Fort will not entirely replace the jobs that are being lost due to the closure, but the almost 3400 direct jobs expected to be created along with the indirect jobs that will follow will help to minimize the impact. The indirect jobs that will also be created will further reduce the effects on the communities.

The redevelopment of the Fort will allow the property to be integrated into the three boroughs. This will have the effect of taking what were separate enclaves and bringing them into the greater community and providing the opportunity for greater economic continuity.

2.5 Community Financial Conditions and Prospects for Redevelopment

The closure of Fort Monmouth will open up 1,126 acres of land that will be divided among the towns of Tinton Falls, Eatontown, and Oceanport, effectively increasing their land areas by 20%. The closure of the base creates a significant long-term development opportunity for the three towns to grow their property, residential and economic bases.

At the same time, the development will create new costs for the municipalities from the addition of new residents. Further, the redevelopment potential of the site is limited by the real estate market. The redevelopment potential must be considered within the context of these two issues. The following sections of the application provide this background context. The first section discusses the local financial conditions in the three municipalities. The second section provides an overview of the current regional real estate and economic trends and the final section summarizes the prospects for redevelopment.

2.5.1 Local Financial Conditions

Given the recent challenging economic climate, coupled with the contraction in both the labor force and the population in Monmouth County as a result of the recession (according to the NJ Department of Labor and Workforce Development and the American Community Survey), it is critical that the municipalities in which Fort Monmouth is situated adopt fiscal policy that fosters new growth and creates synergy with the base development. To assess current fiscal trends and patterns, 2008 and 2011 budgets were obtained from Eatontown, Oceanport, and Tinton Falls.

The three charts below provide some context for framing the fiscal conditions of the three towns in which Fort Monmouth is situated. As 2.5.1-A shows, Tinton Falls and Eatontown both have comparable populations, while Oceanport is less than half the size of either of the two. Similarly, Tinton Falls and Eatontown have much larger total assessed property values than Oceanport, though in this case Tinton Falls' total assessed value is approximately \$0.8 billion higher than Eatontown. Lastly, Oceanport actually has a significantly higher median home value, approximately \$485,000, than either Eatontown or Tinton Falls, which both have a median home value of approximately \$360,000.

Exhibit 2.5.1-A: 2010 Population

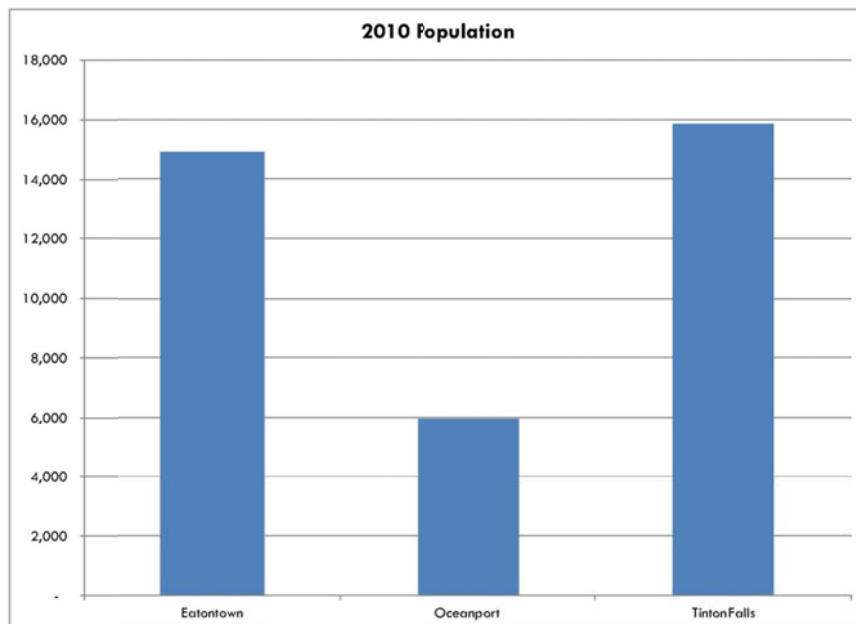


Exhibit 2.5.1-B: 2010 Assessed Property Value

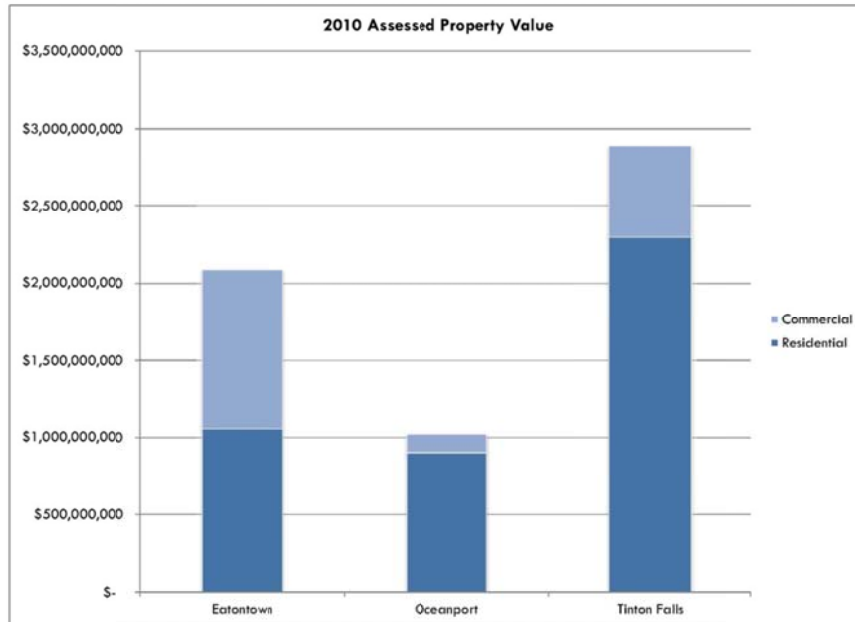
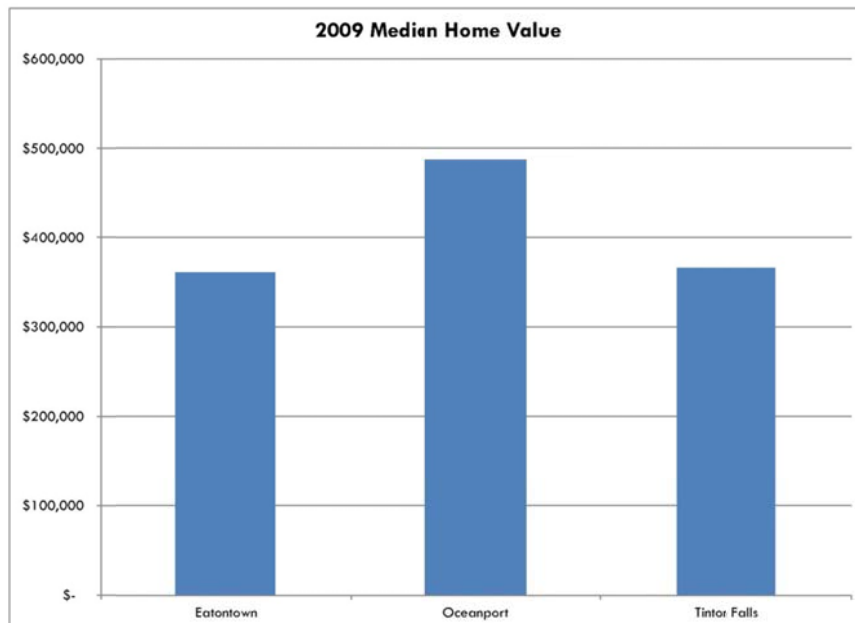
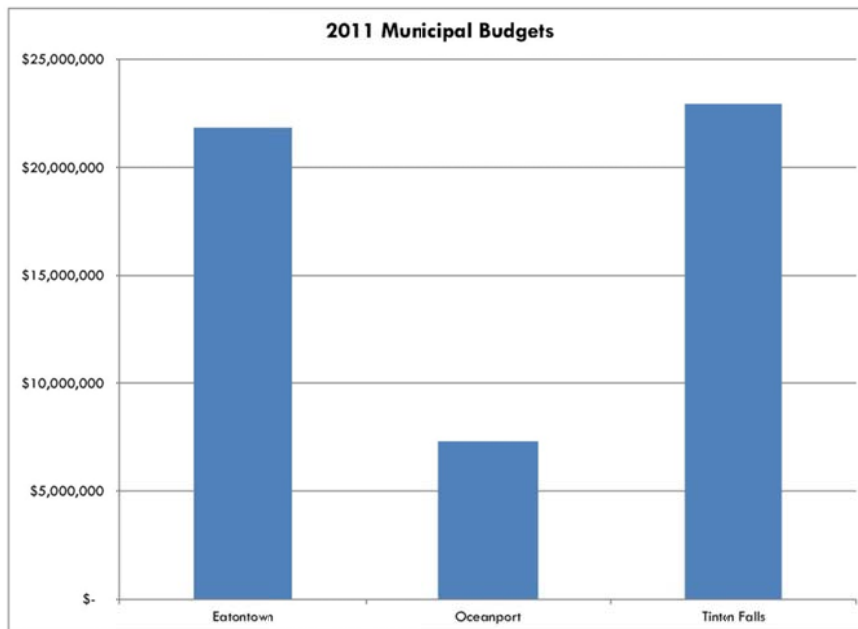


Exhibit 2.5.1-C: Median Home Values



The chart below shows total 2011 budgets. In keeping with the trends shown in the previous section, Eatontown and Tinton Falls have very similar municipal budgets in terms of total municipal expenditure, which are far larger than the municipal budget for Oceanport. Tinton Falls' budget, at nearly \$23 million, is slightly higher than Eatontown's budget of about \$22 million. Oceanport's 2011 municipal budget is about \$7.4 million.

Exhibit 2.5.1-D: Municipal Budgets



The three charts below show revenues, expenses, and net revenues in 2007 and 2010, respectively. In 2007, all three towns had revenues that exceeded their total expenditures, leaving a modest budget surplus for each. By 2010, total revenues and expenses for all three towns have increased, but expenditures increased at a higher rate than revenues, causing a decrease in the budget surplus that the towns had run in 2007. Indeed, Tinton Falls had a small deficit in 2010.

Exhibit 2.5.1-E: Municipal Revenue and Expenses 2007

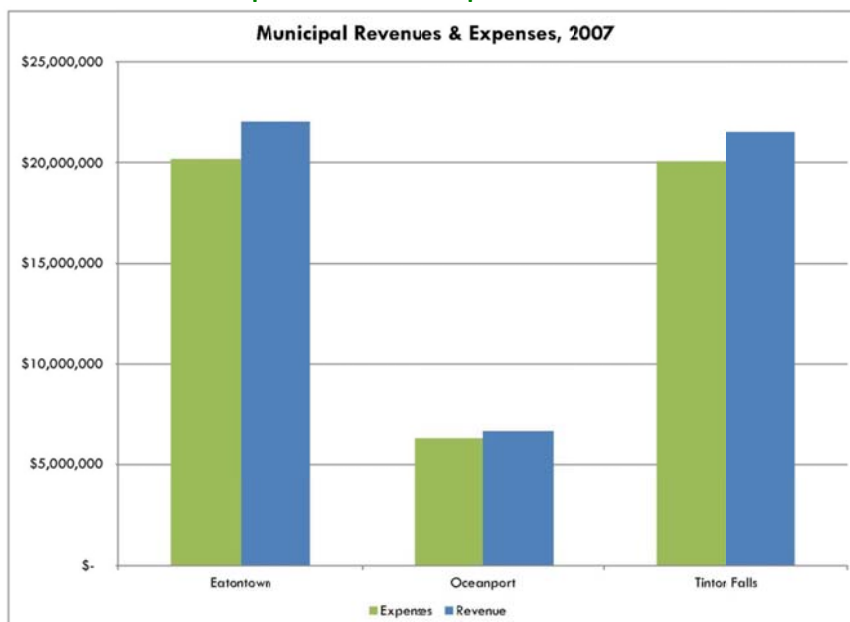


Exhibit 2.5.1-F: Municipal Revenue and Expenses 2010

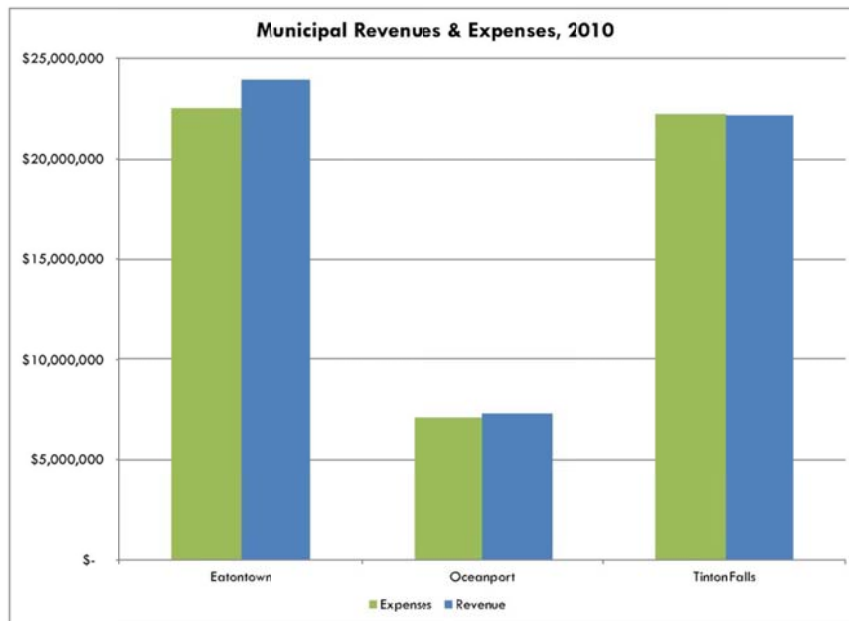
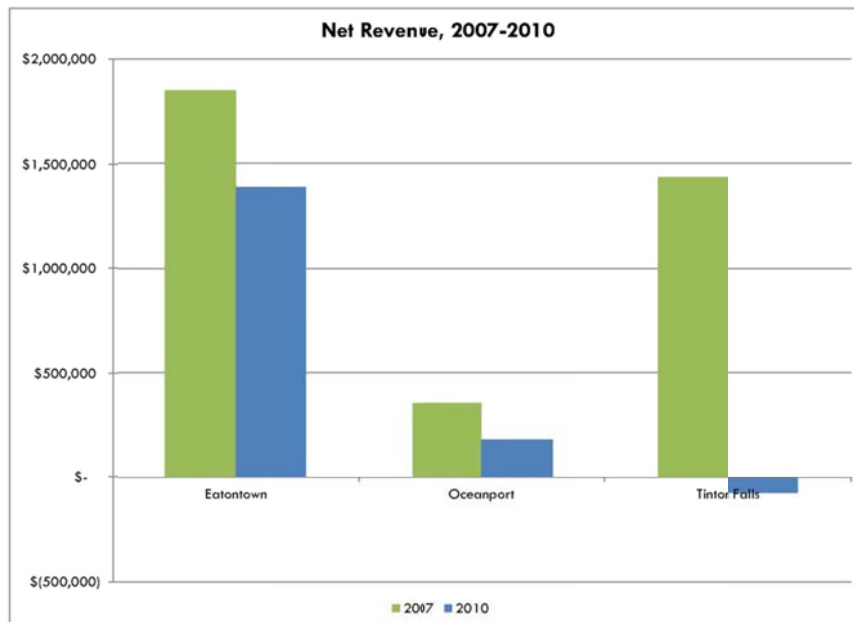


Exhibit 2.5.1-G: Net Municipal Revenues



This trend is due to the decline in property tax collections that have resulted from the recession of 2007-2009. Given the economic climate, towns have not been able to raise rates to make up for the shortfall. While revenue collections will improve as the economy continues to turn around, it is unlikely the towns will return to 2007 levels soon. In addition, municipalities will be further constrained in the future by the 2% cap on property tax increases enacted by the state legislature in 2011.

The three charts below look at expenditures in each of three towns by service type for 2010. General government and public safety receive the most funding, followed by public works. Dollars dedicated to economic development cannot be broken out, due to the nature of the budget reporting process for the three towns, but declines in general government, public works, and recreation and education could all affect efforts to recruit new jobs or otherwise foster new economic growth in the three towns. Should revenues continue to decrease, it could have a serious impact on the services that each town is able to provide.

Exhibit 2.5.1-H: Municipal Expenses - Eatontown

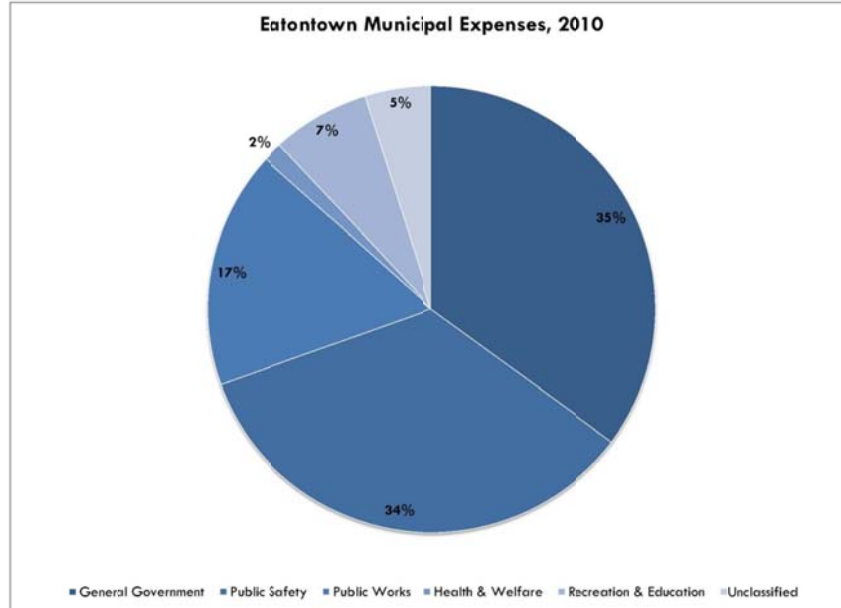


Exhibit 2.5.1-I: Municipal Expenses - Oceanport

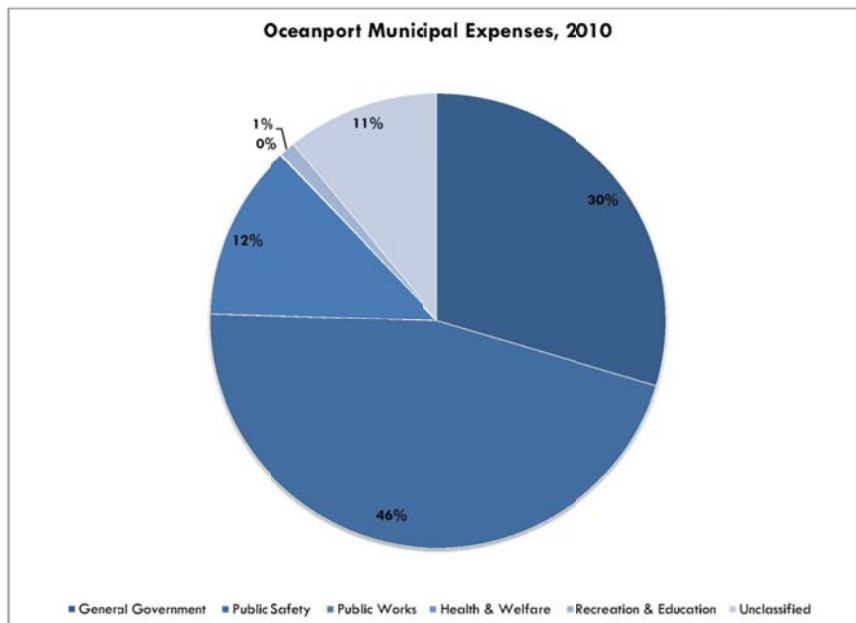
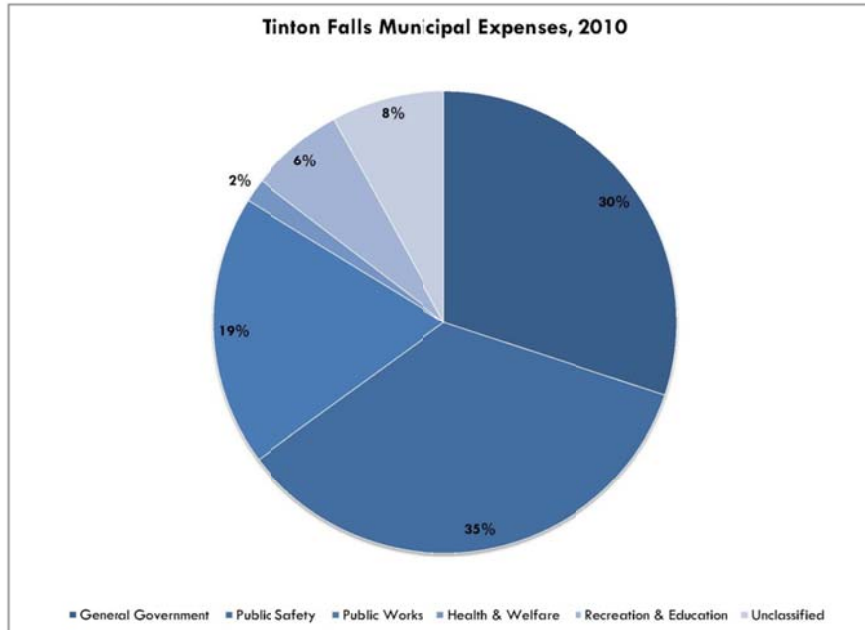


Exhibit 2.5.1-J: Municipal Expenses – Tinton Falls



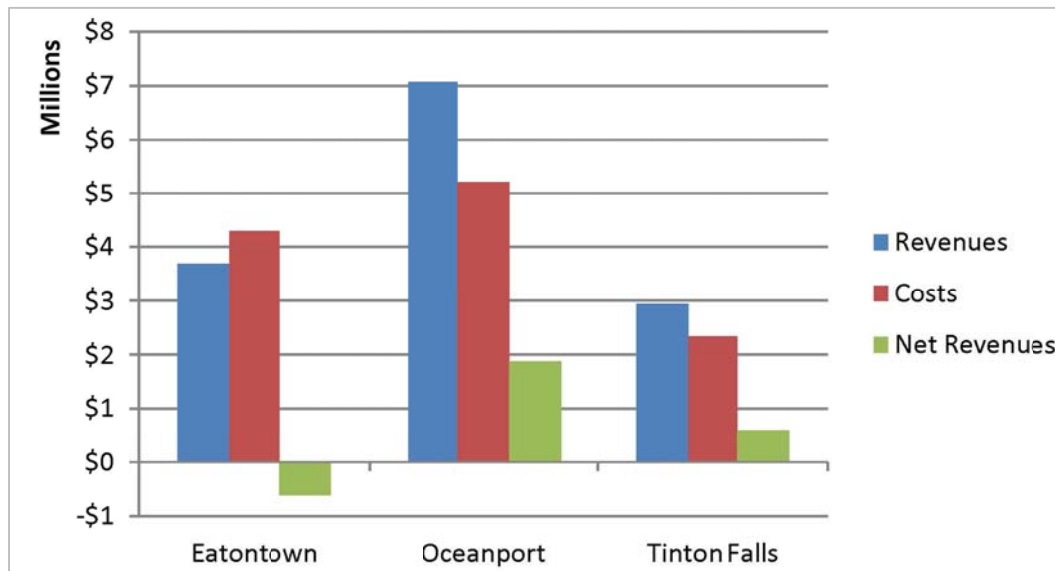
The fiscal standing of each town and the distribution of municipal funds will have a direct and substantial impact on the success of the redevelopment of Fort Monmouth. Though the redevelopment plan does not foresee requiring municipal investment or financing from the host towns, municipal spending may impact the redevelopment as the success of the plan will be largely contingent on the success of efforts to attract new business and investment to the area. It also reveals where the redevelopment could have important positive impacts on municipal revenues. Among the key financial implications are:

- If trends in revenue generation continue, the three towns' ability to provide robust public services may be constrained, which could negatively impact efforts to attract new business to the area. For this reason, it is critical that the Fort Monmouth redevelopment strategy plan for providing incentives from the Post's land value in the form of land transfers, tenant improvements, or rent concessions in order to attract tenants.
- Redevelopment will also help to generate additional revenue for the three towns through an increase to the property tax base, as build-out of Fort Monmouth escalates.

Fiscal Impacts Related to Phase 1

Redevelopment should have an overall positive fiscal impact across the towns, as the program for the site has the potential to bring 2,000 new jobs to the area over the next two decades. Additionally, direct job creation on the base may create spinoff growth in the surrounding areas, contributing to higher property values and, subsequently, higher property tax revenues assuming existing rates. The chart below shows the projected fiscal impact on the three boroughs due to the redevelopment of the Fort.

Exhibit 2.5.1-K: Annual Fiscal Impact on Three Boroughs



2.5.2 Current Local and Regional Real Estate Market Conditions

Fort Monmouth is located in Monmouth County that has experienced a fairly stable economic growth trajectory. It is far enough away from New York City that economic growth is not directly driven by what happens in the city. At the same time, Monmouth County offers proximity to major employment centers and recreational/cultural activities at a more affordable price point that has made it an attractive location for research and development, biotechnology, and other uses that require more space. In addition, the region remains a highly attractive residential location with its high quality of life, good schools, extensive park system, and proximity to the shore. The following section summarizes the local real estate market conditions for individual uses considered in the plan.

Residential

While still significantly off from its 2007 peak, the residential market appears to be the most resilient of all the markets surveyed, and we see particular opportunities in the multifamily rental market. Conditions for residential development are favorable due a number of factors including:

- The County's relative proximity to New York City and other New Jersey job centers,
- Access to the New Jersey coastline and New York Harbor,
- A growing residential base of aging baby boomers, and
- Relative affordability compared to Northern New Jersey.

HR&A Advisors examined the market for both single family and multifamily uses using a range of data sources including building permits, IRS data on relocations, REIS, Otteau MarketTRAC, and conversations with industry experts. Based on this analysis and a review of demographic trends, HR&A believe that conditions in the short term are most favorable for the development of multi-family rental units.

The following table provides an overview of the multifamily residential market since 2000. In the past 5 years, average rents have stayed relatively flat at approximately \$1000-1100 per unit, while vacancy increased slightly due to the recession. The decline in vacancy between 2009-2010 suggests that the market is warming and pent up demand could support a moderate amount of new development.

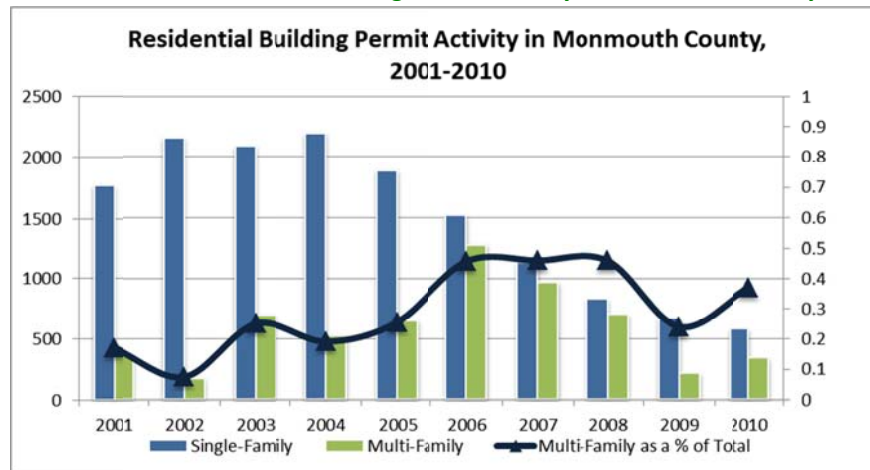
Exhibit 2.5.2-A: Monmouth County Multifamily Rental Market

Monmouth County Multifamily Rental Market												
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Average
Inventory	29,065	29,146	29,732	29,732	29,732	30,244	30,244	30,244	30,701	30,701	30,701	30,022
Rents	\$803	\$854	\$911	\$948	\$973	\$995	\$1,032	\$1,078	\$1,097	\$1,100	\$1,110	\$991
Vacancy	1.2%	0.9%	4.3%	3.9%	3.5%	3.3%	2.9%	2.9%	4.4%	4.2%	3.8%	3.2%
Absorption						536	109	22	(20)	33	132	135

Source: REIS

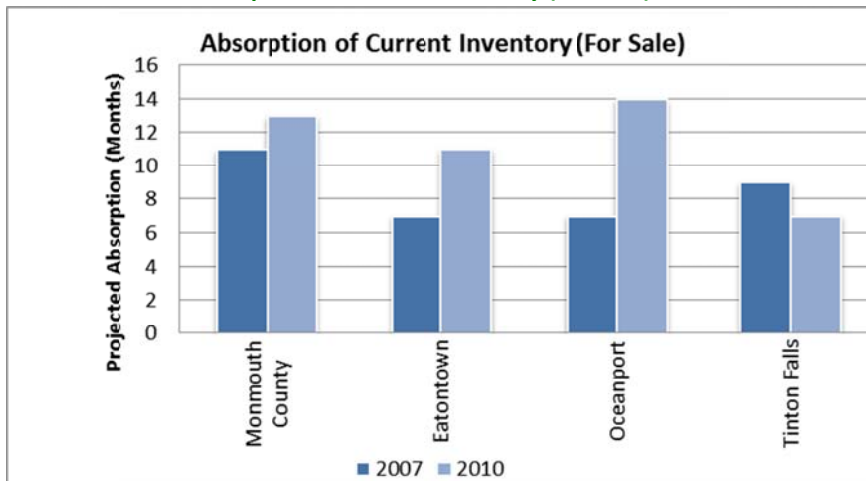
In the early 2000s, the County experienced very high levels of single family construction, as indicated by the number of new building permits issued illustrated below. While the number of permits issued annually since 2007 is less than half the number of permits issued at the height of the market in the early 2000s, industry members are optimistic that the market will improve in 2011 and onward.

Exhibit 2.5.2-B: Residential Building Permit Activity in Monmouth County



The average price of a single family unit on the market in Monmouth County declined by 22% from \$810,000 in 2006 to \$625,000 in 2010 according to data from REIS. At the same time, the number of units coming on the market monthly countywide declined 16% to 167 units per month. The decline in the number of units coming on to the market has meant only a small increase in the Monmouth County months-to-absorb metric from 11 months in 2007 to 13 months in 2010. However, these numbers are larger in the communities adjacent to the Post, likely due to the impacts of its closing in addition to the recession. The number of months to clear the inventory doubled in Oceanport from 7 to 14 from 2007 and 2010. In Eatontown it increased from 7 to 11 months and it actually declined in Tinton Falls from 9 to 7 months. The variability between the towns is due to a range of factors including tax rates, income levels, and types of units.

Exhibit 2.5.2-C: Absorption of Current Inventory (For Sale)



Commercial Office Space

The development of commercial office space in Monmouth County is dependent upon the attraction of a large corporate tenant or the slow absorption of small professional office spaces. The majority of commercial office space in New Jersey is found in the northern portion of the state concentrated along key transportation corridors such as I-78, I-287 and SR-24, and in locations with close proximity to Manhattan such as the Hudson waterfront and downtown Newark, and major transit infrastructure, such as Metro Park, New Brunswick, and Princeton. Large corporate tenants have a demonstrated preference for these types of locations. The office market in Monmouth County contains 26 million SF and is dominated by smaller types of spaces with an average size of approximately 3,000 SF. For example, in Red Bank there is a 100,000 SF office park called Lincroft Office Center, populated by several small- and medium-sized tenants.

We assessed the market with data from Costar (a national provider of expansive real estate data), broker reports, and conversations with industry experts. This market analysis focuses on buildings that are leased versus owner occupied, due to limitations in the availability of data. Average gross rents have stayed relatively flat—\$21 psf in 2010, which is only 8% off the peak rent of \$23 psf. Triple net rents in the County are approximately \$16.50. Absorption has also fluctuated significantly based on movements by large office tenants. For example, the county market had a negative absorption rate of over 250,000 SF in 2007 at what was considered the height of the market, but had positive absorption in 2008 and 2009 when other markets were shedding space.

Exhibit 2.5.2-D: Office Market Snapshot

Office Market Snapshot											
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Inventory	23,849,162	24,229,652	24,546,170	24,822,480	25,152,703	25,387,308	25,576,223	25,964,023	25,674,769	25,875,364	25,937,924
Gross Rents (psf)	\$ 22	\$ 23	\$ 23	\$ 23	\$ 23	\$ 23	\$ 23	\$ 23	\$ 22	\$ 21	\$ 21
Vacancy	6.7%	5.7%	6.8%	8.3%	9.2%	9.2%	7.9%	12.7%	16.1%	16.3%	16.4%
Absorption	666,399	(3,584)	818,389	(199,956)	(340,712)	746,602	246,616	(283,484)	308,397	104,958	(134,685)

Source: CoStar

Retail

Monmouth County contains both high retail demand and high retail supply, which makes the development of new retail challenging. County-wide, there is over 38 million SF of space, a significant portion of which is located in the vicinity of the Post with 1.5 million SF at the Monmouth Mall, one of the largest in New Jersey, and active retail corridors along Routes 35 and 36. Average gross retail rents are approximately \$20 psf and the current vacancy rate is 6.7%. Triple net rents are approximately \$14 psf.

The 2007 ERA Market Study assessed retail supply and demand in the area based on sales and consumer spending data and found a significant oversupply. It concluded there may be limited demand for new neighborhood retail affiliated with new development on the Post. We believe these conclusions remain valid as the 2007-2009 recession has created fundamental changes in consuming saving and spending patterns. This shift in consumer spending activity has resulted in the bankruptcy of formerly formidable retail chains such as Linens & Things, Circuit City, and A&P, resulting in large blocks of space coming on to the market. The volatility of countywide absorption trends supports this view. Since 2006, the county has experienced only two years of positive retail absorption (2007 and 2008). While this resulted in an average absorption of 137,000 SF per year over the time period, it suggests that future absorption could follow an irregular pattern.

Exhibit 2.5.2-E: Retail Market Snapshot

Retail Market Snapshot

	2006	2007	2008	2009	2010
Inventory	37,751,528	37,846,479	38,103,562	38,553,238	38,660,648
Rents (psf)	\$20.63	\$19.64	\$19.66	\$19.50	\$18.74
Vacancy	6.5%	6.1%	5.7%	6.5%	6.7%
Absorption	(215,353)	709,810	504,160	(243,677)	(70,029)

Source: CoStar

Hotel

Monmouth County contains 20 hotels within five miles of Fort Monmouth and five within the immediate vicinity of Fort Monmouth. The closure of the Post and weak economic conditions have dampened the market for hotel development. As of the fourth quarter of 2010, occupancy rates are down nine percentage points from the 2005 peak of 65% and ADRs have not yet recovered from the impacts of the recession.

Exhibit 2.5.2-F: Hotel Market Snapshot

Hotel Market Snapshot	2004	2005	2006	2007	2008	2009	2010
Average Daily Room rate (ADR) ¹	\$ 105.65	\$ 109.45	\$ 124.42	\$ 132.91	\$ 135.63	\$ 122.61	\$ 119.37
Occupancy	63%	65%	66%	63%	56%	52%	56%
Supply	741,655	757,375	743,955	686,625	688,949	738,435	741,315
Demand	467,300	488,933	492,419	431,963	386,461	383,658	418,119
Demand growth	4.6%	0.7%	-12.3%	-10.5%	-0.7%	9.0%	-100.0%
Revenue	\$ 49,371,688	\$ 53,515,058	\$ 61,267,147	\$ 57,413,786	\$ 52,415,296	\$ 47,041,139	\$ 49,908,928
RevPAR ²	\$ 66.57	\$ 70.66	\$ 82.35	\$ 83.62	\$ 76.08	\$ 63.70	\$ 67.32

1. Average Daily Rate (ADR) is the average daily hotel room rate.

2. RevPAR stands for revenue per available room. It is a hotel industry performance metric calculated as average daily room rate x the occupancy rate.

2.5.3 Local and Regional Employment Trends

In the last ten years, economic trends at both a micro- and macro- level have shaped the patterns of employment in Monmouth County and New Jersey as a whole. Changes in the county in terms of level of employment, composition of employment, and characteristics of the work force have been benchmarked against the statewide level to assess how the county has fared from 2000 to 2010.

Labor Force and Unemployment

- From 2000 to 2010, Monmouth County's labor force has grown by 4.7%, or 15,000 workers. This is likely correlated to the large increase in residents aged 25-44 over the same time period.
- The Monmouth County labor force has grown at a rate slightly lower than the statewide rate of 5.0%.
- Unemployment in the county has increased significantly from 2000 to 2010, with a rate in 2010 of 8.6%. This rate is still lower than the statewide rate of 9.5%. However, the county's unemployment rate has seen a greater increase over this time period than the statewide rate. In 2000, the Monmouth County unemployment rate was 3.2%

Exhibit 2.5.3-A: Labor Force Index Growth

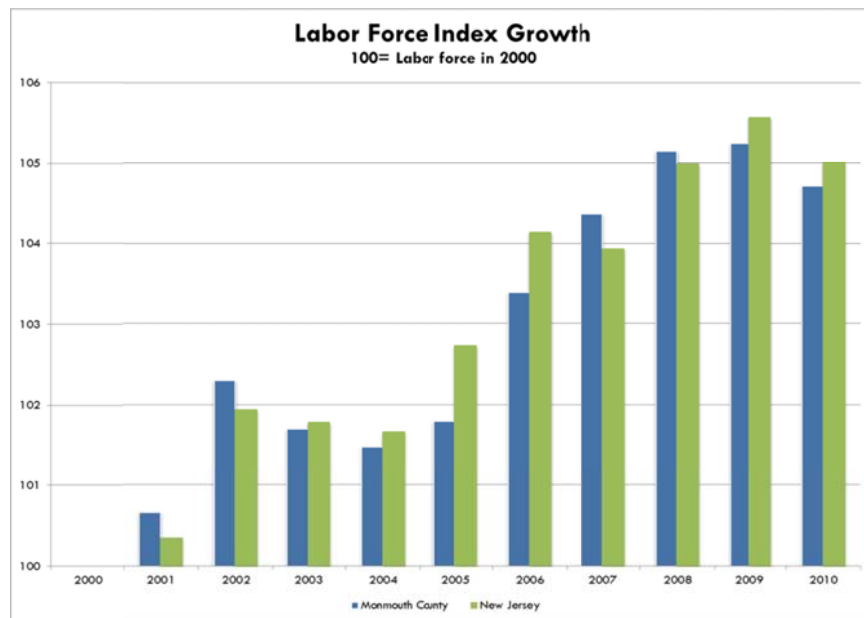
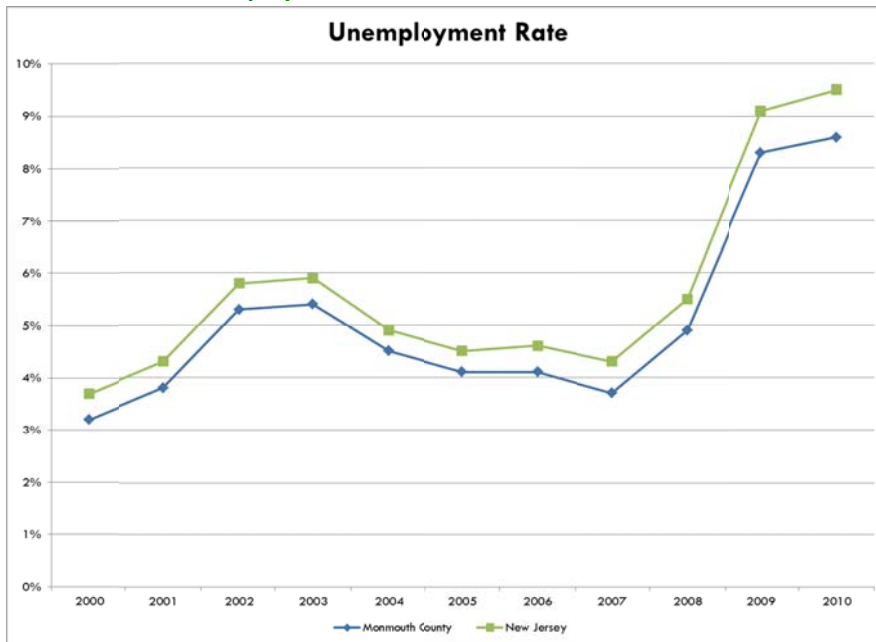


Exhibit 2.5.3-B: Unemployment Rate

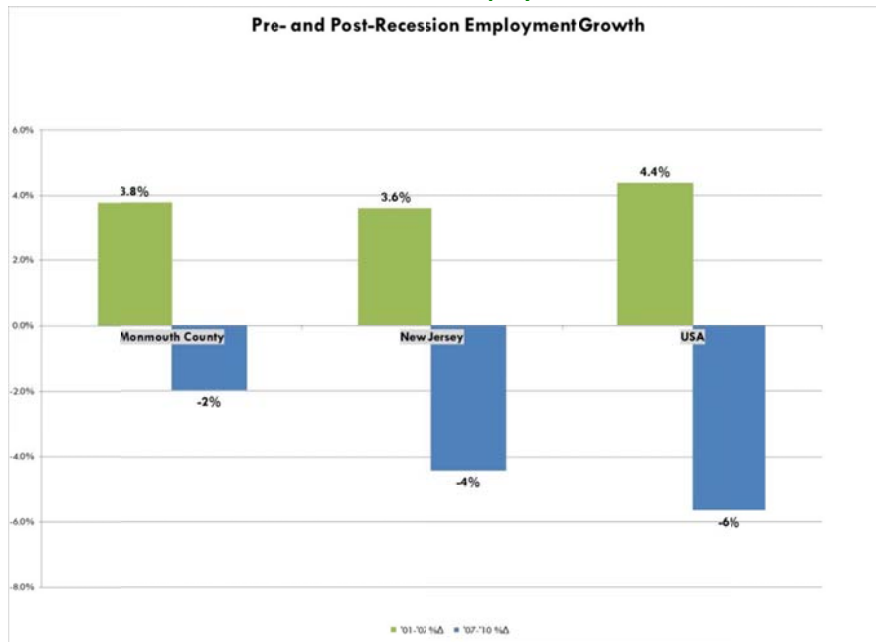


Employment Trends

The chart below presents growth in private sector employment from 2000 to 2010, with percent change from 2001 to 2007 contrasted with percent change from 2007 to 2010. This chart conveys the impacts of the economic recession on employment trends over the decade from 2000 to 2010. In 2000 there were 308,300 jobs in the county, where in 2010 there were only 304,700 jobs, despite the 15,000 person increase in the Labor Force. Much of this decline in jobs is a result of the economic downturn, as employment data show that employment grew until 2007, and then fell below the original 2000 level between 2007 and 2010.

- Between 2001 and 2007, employment in the county grew by 3.8%, which was slightly better than the 3.6% statewide employment growth but less than national job growth of 4.2%.
- From 2007 to 2010, Monmouth County employment decreased by 2%. Though still negative growth, the decline was less severe than the State, which decreased by 4.4%, and the Nation, which decreased by 5.6%.

Exhibit 2.5.3-C: Pre- and Post-Recession Employment Growth



Employment Trends by Industry

The tables below show employment distribution and growth at the county and state levels from 2000 to 2010. Several trends are apparent:

- Healthcare remains the largest employer in the county, followed by retail and education.
- Healthcare and educational services have both grown dramatically from 2000 to 2010, by 26% and 13%, respectively.
- Retail trade, though it employs the second-most workers of any industry, has experienced a decline since 2000 of 1.6%.
- At the state level, the same three industries are the top employers
- Similar to at the county level, health care and educational services have grown significantly, while retail employment growth has been stagnant.

Exhibit 2.5.3-D: Largest and Smallest Industries by Employment – Monmouth County

Largest and Smallest Industries by Employment - Monmouth County

		2000	2010	% Change
5 largest industries by employment	Health Care	10.6%	13.3%	25.6%
	Retail Trade	12.0%	11.8%	-1.6%
	Educ Services	8.9%	10.1%	13.2%
	Finance/Insurance	9.0%	9.1%	1.0%
	Prof/Tech	8.8%	8.9%	1.1%
5 smallest industries by employment	Arts/Entertainment	1.8%	1.8%	-3.8%
	Utilities	1.0%	0.7%	-24.0%
	Agriculture	0.4%	0.4%	17.1%
	Management	0.1%	0.2%	150.0%
	Mining	0.0%	0.0%	-33.3%

Exhibit 2.5.3-E: Largest and Smallest Industries by Employment – New Jersey

Largest and Smallest Industries by Employment - New Jersey

		2000	2010	% Change
5 largest industries by employment	Health Care	11.1%	14.0%	26.5%
	Retail Trade	11.3%	11.3%	-0.6%
	Educ Services	8.7%	10.0%	14.6%
	Prof/Tech	8.1%	8.2%	2.0%
	Manufacturing	12.0%	7.7%	-35.4%
5 smallest industries by employment	Real Estate	1.8%	1.7%	-4.9%
	Utilities	0.8%	0.6%	-22.5%
	Agriculture	0.3%	0.3%	22.2%
	Management	0.1%	0.2%	142.9%
	Mining	0.1%	0.1%	0.0%

Industry Cluster Analysis

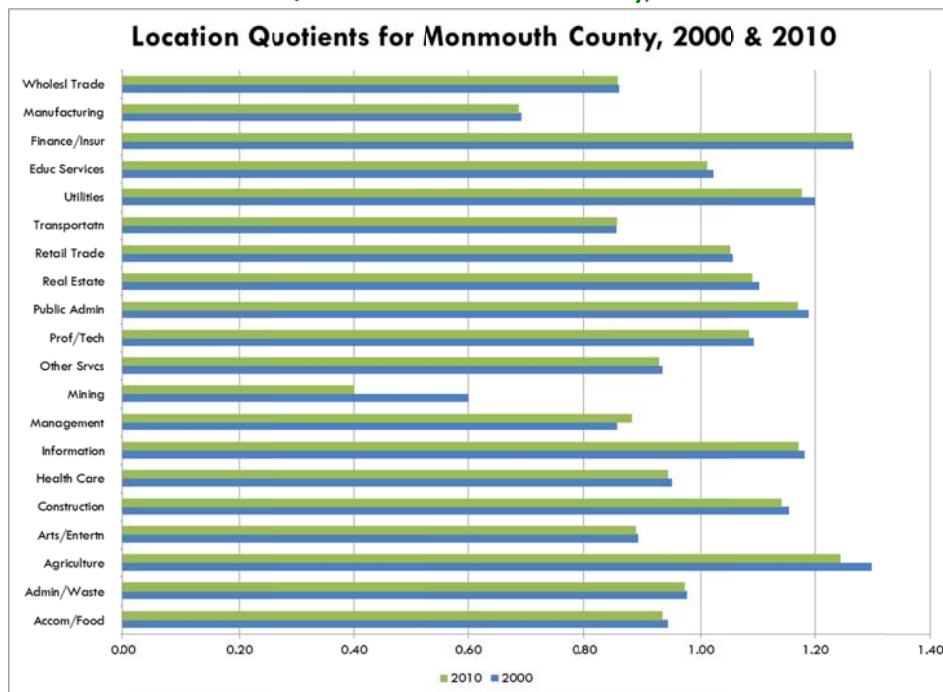
A location quotient is a tool to measure the concentration of an industry in a given area relative to the broader region. In this case the local area is Monmouth County and the broader region is the State of New Jersey. This calculation is used to assess the relative strength of a given industry in relation to the large region.

- LQ > 1: Industry is more concentrated within Monmouth County than New Jersey
- LQ < 1: Industry is less concentrated within Monmouth County than New Jersey
- LQ = 1: Industry is equally concentrated within Monmouth County as New Jersey

The chart below examines the location quotient for key industries in 2000 and 2010.

- Finance and Insurance and Agriculture are the industries with the strongest comparative advantage over the state as a whole. It is important to note that both of these industries are still rather small in the county in terms of gross employment, so the opportunity to attract new businesses based on clustering may be limited.
- Retail, Education, Information, and Professional and Technical Services are all industries where there is more dense employment in the county than in the state, and there may be an opportunity for further business attraction.
- Healthcare, in spite of being an important industry for the county, still lags behind the state as a whole in terms of concentration of employment.
- From 2000 to 2010, the location quotients by industry have remained stable for the most part, with little variation over the ten-year period

Exhibit 2.5.3-F: Location Quotients for Monmouth County, 2000 & 2010



Income

Tables below show per capita and median household income levels from 2000 to 2010, along with projected income for 2015.

Exhibit 2.5.3-G: Per Capita Income

Per Capita Income					
	2000	2010	2015	% Change '00-'10	% Change '10-'15
Monmouth County	\$31,149	\$40,898	\$46,521	31.3%	13.7%
New Jersey	\$27,006	\$34,739	\$39,759	28.6%	14.5%

In 2010, the per capita income in Monmouth County of \$40,900 was higher than the statewide level by about \$6,000. In 2000, per capita income in the county, \$31,100, was only \$4,000 higher. From 2000 to 2010 per capita income in the county grew by 31.3%, slightly higher than the statewide rate of 28.6%. However, from 2010 to 2015, it is projected that the county per capita income will grow at a rate of 13.7%, which is lower than the projected statewide rate of 14.5%. In 2015 it is projected that per capita income in the county will be \$46,500, while in the State it will be \$39,800.

Exhibit 2.5.3-H: Median Household Income

Median Household Income					
	2000	2010	2015	% Change '00-'10	% Change '10-'15
Monmouth County	\$64,111	\$82,974	\$94,816	29.4%	14.3%
New Jersey	\$55,083	\$72,519	\$83,186	31.7%	14.7%

Trends for median household income are similar to those for per capita income. In 2010 the median household income in the county was approximately \$10,000 greater than the State median household income- \$83,000 and \$72,500, respectively. This gap remained fairly constant from 2000, when median household income in the county was \$64,100 and in the state it was \$55,100. By 2015, it is projected that median household income will be \$94,800 in the county and \$83,200 in the state. This is based on a projected rate of growth of 14.3% for the county and 14.7% for the state.

Labor Shed and Employment Distribution

Using a labor shed analysis, the following map and table illustrate where works employed in Monmouth County live. This information provides important insight into commuting patterns, and consequently, illustrates where a new business locating near Fort Monmouth may draw its labor force from.

- Workers employed in Monmouth County are fairly mobile, with about half coming from outside of Monmouth County.
- Nearby counties such as Ocean and Middlesex Counties are key sources of labor supply for Monmouth County employers. Together, Ocean and Middlesex Counties supply about 25% of the workers employed in Monmouth County.
- Other counties, some as far away as Essex, also provide a smaller, yet still significant portion of the workers employed in Monmouth County.

Exhibit 2.5.3-I: Place of Residence for Workers Employed in Monmouth County

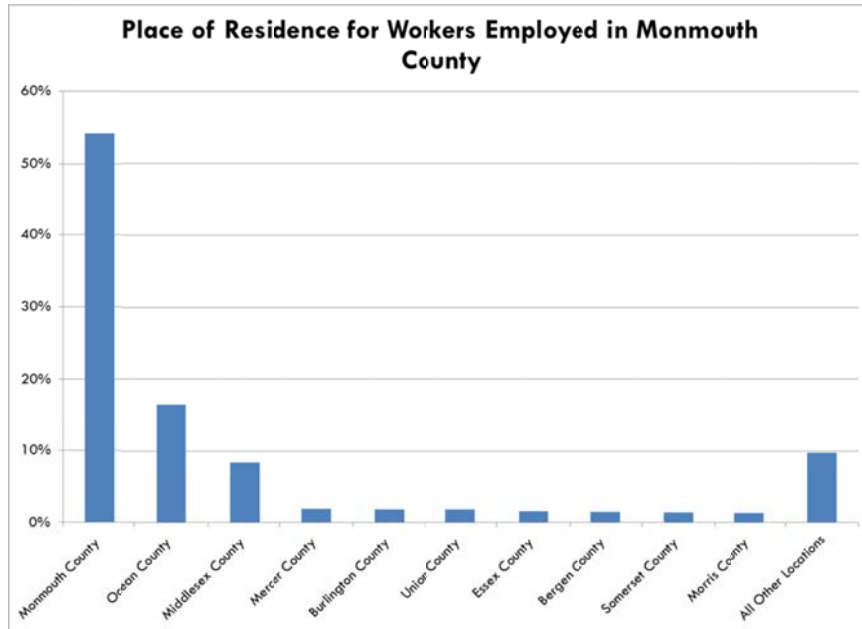
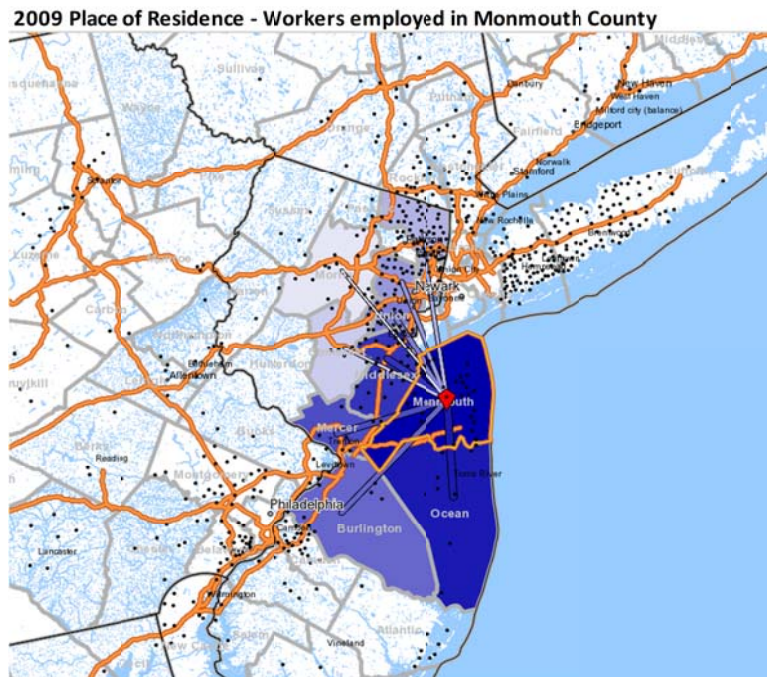


Exhibit 2.5.3-J: Place of Residence – Workers Employed in Monmouth County 2009



An employment distribution analysis, illustrated in the table and map below, shows where the labor force residing in Monmouth County is employed. This analysis shows that it is possible to capture residents in the area surrounding Fort Monmouth who are employed as far away as Manhattan.

- The labor force residing in Monmouth County is very mobile. Only 45% of workers residing in the county work in the county as well. The other 55% commutes to work outside of the county.
- The most common destinations for work outside of Monmouth County are Middlesex County and Manhattan, which together represent the place of work for 18.5% of the labor force residing in Monmouth County.
- Other counties in New Jersey, such as Ocean, Mercer, Essex, Union, and Bergen, capture between 3% and 5% of the Monmouth County labor force. Together, these counties represent the place of employment for 19% of the Monmouth County labor force.

Exhibit 2.5.3-K: Place of Employment for the Monmouth County Labor Force

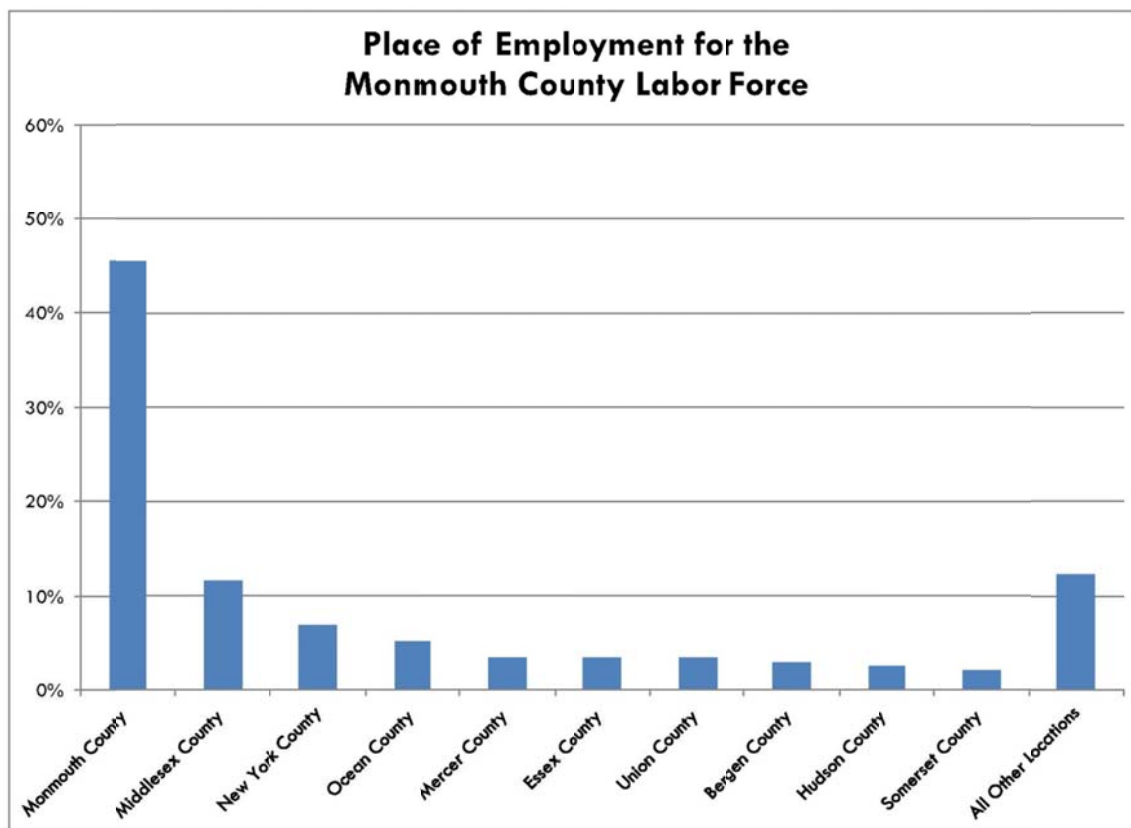
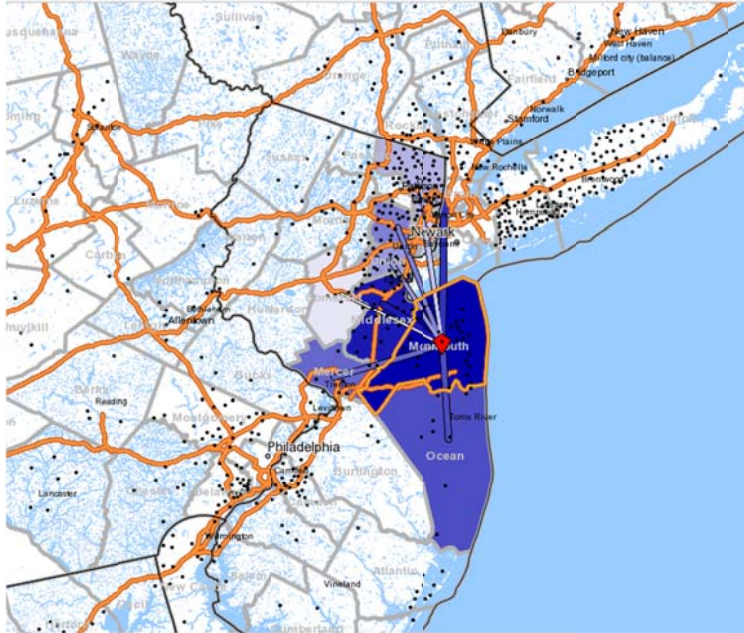


Exhibit 2.5.3-L: Place of Employment – Monmouth County Labor Force 2009

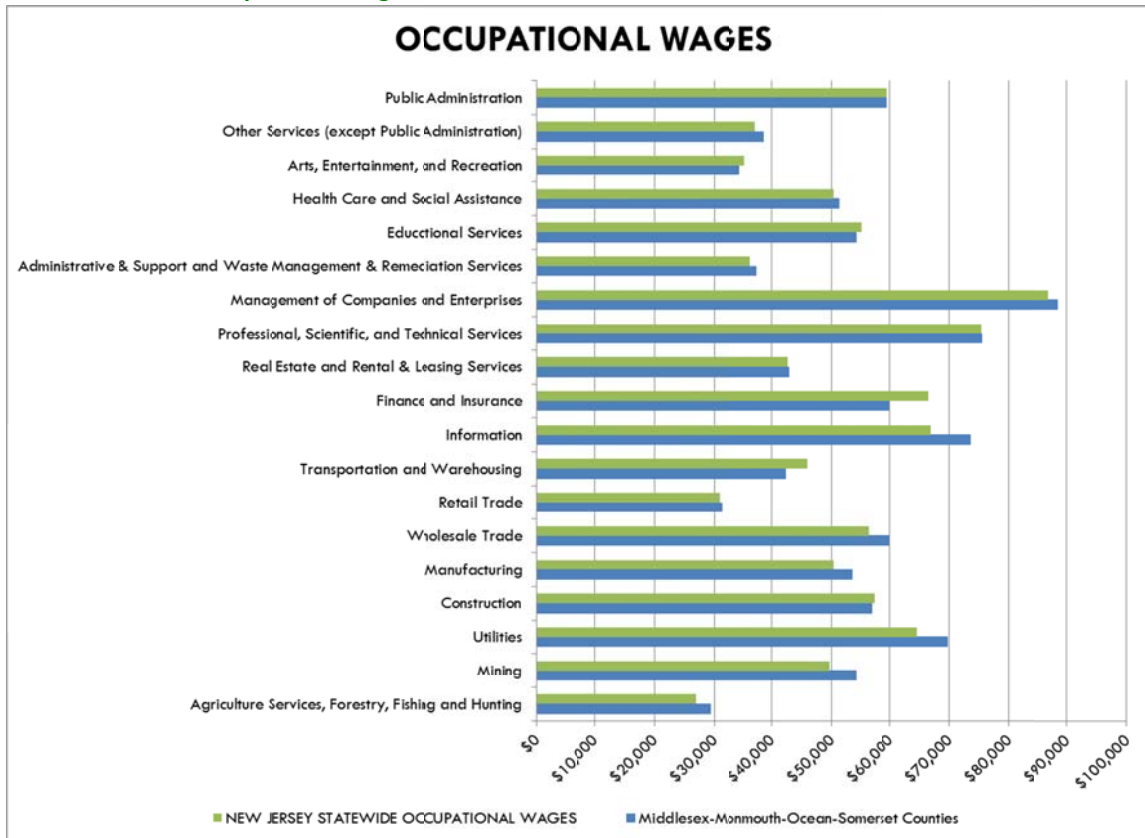
2009 Place of Employment - Monmouth County Labor Force



Occupational Wages

The chart below outlines the average salary by industry for workers in the Middlesex-Monmouth-Ocean-Somerset County area. In four-county area average salaries are marginally higher than in the State as a whole- \$54,200 versus \$52,300. Higher wage rates impact the cost of labor, and in turn the attractiveness of an area for prospective business. Nearly all industries have higher average salaries in the four-county area than in the state as a whole, with finance and insurance being the one notable exception.

Exhibit 2.5.3-M: Occupational Wages

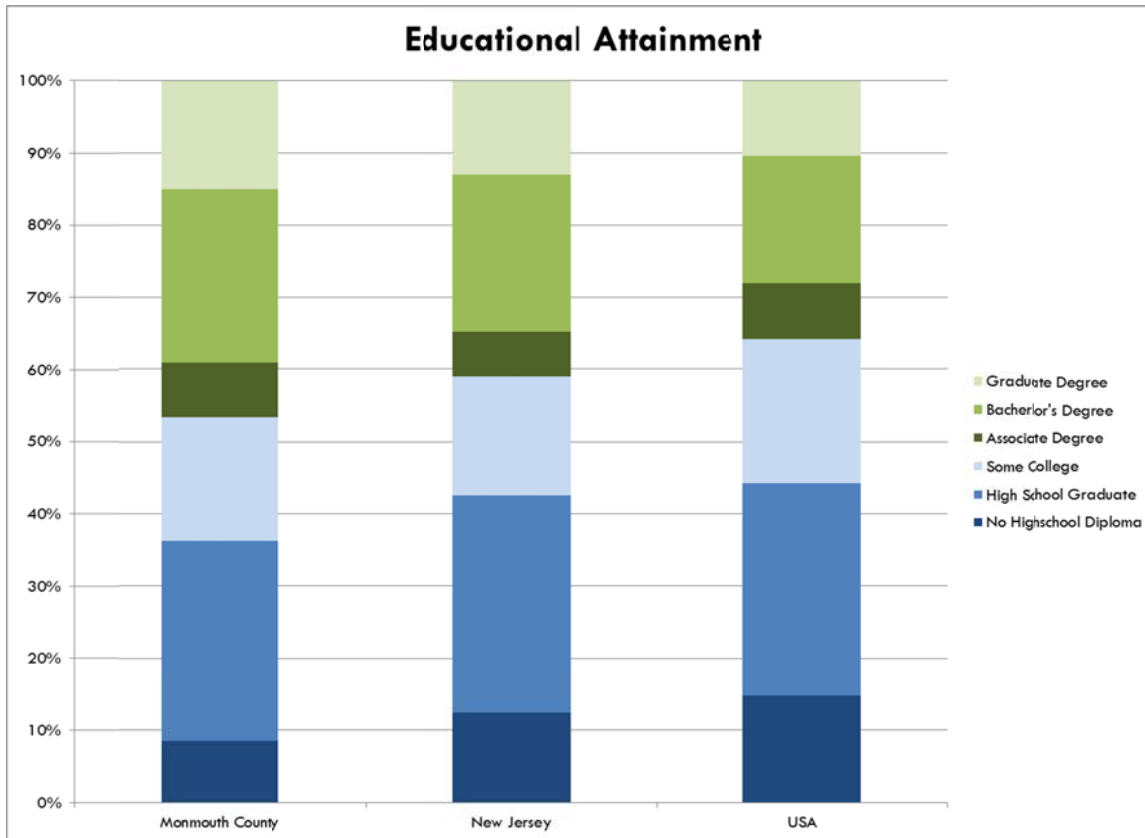


Education

Given the importance of well-educated labor force to business investment, Monmouth County is well positioned within the state and the nation overall to attract new businesses. The labor force in the county is well-educated, in terms of educational attainment for the population over 25 years of age.

- The percent of residents with a collegiate-level degree (associates, bachelors, or graduate) in the county is 47%, which is higher than the statewide level of 41% and the national level of 36%.
- Further, in Monmouth County 15% of residents have received a graduate-level degree, which exceeds the rates at both the state and national level, 13% and 10.5%, respectively.
- Only 8.5% of residents in Monmouth County have not graduated from high school. In New Jersey, 12.5% residents have not graduated high school, and at the national level 15% have not graduated high school.

Exhibit 2.5.3-N: Educational Attainment



Implications

From 2000 to 2010, the labor force in Monmouth County has fared comparatively well, even in spite of the economic recession. Maintaining and growing this labor force in the coming years will be critical to successful economic development in the county, and can be leveraged to attract new businesses to the area.

- The labor force in Monmouth County experienced healthy growth from 2000 to 2010, though it lagged very slightly behind the growth rate of the state overall. Growth was likely driven primarily by an influx of residents in the 25-44 age range.
- Unemployment increased dramatically over the 2000 to 2010 period, with the increase coming primarily during the 2007 to 2010 time period. Though the increase was dramatic, the unemployment rate remains lower than in the state. The county can be optimistic that employment will begin to recover in the near future as the national economic recovery hits stride, though a recovery to 2000 levels may take some time.

- Industries driving employment in the county include health care, education, and retail. While retail growth has stagnated, there is potential to further capture businesses in the health care and educational services industries, given the county's strong labor force and relatively strong clustering of these industries.
- Strong incomes in the county, as compared with the state, show that demand for labor remains higher in the county than in the regional as a whole. However, high labor costs may prove to be a deterrent for new businesses interested in moving to the county.
- Industries with high average annual salaries include Management, Professional Services, Finance and Insurance, and Information. Attracting more employers for these high earning jobs, and continuing to cultivate a work force with the education and skills to fill these jobs, could be an important component of the county's economic development.

The county overall is very well-educated, compared to the state and the Nation. To capitalize on the comparative advantage of having such a strong work force, the county should continue to try to recruit businesses in the industries where labor commands high average salaries, especially considering that other areas might not have sufficiently skilled human capital to meet the labor demands of businesses.

2.5.4 Prospects for Private Capital Investment

The redevelopment of the Fort Monmouth Post presents a significant opportunity for the State of New Jersey to develop an innovative, mixed-use center that is an attractive location for businesses in the evolving 21st Century economy. A 2008 Economic Diversification Study identifies key industry targets through an extensive analysis of existing employment trends, conversations with local businesses and industry experts, and analysis of the components of successful development at other locations. The study found that the location could be most marketable to businesses in the following industries:

- Information, Communications, and Technology (ICT)
- Bioscience
- Energy

While the recession of 2007-2009 has dampened economic growth, this industry mix still serves as a good foundation for the types of uses that would be most attracted to redevelopment opportunities at Fort Monmouth. The advantage of this industry mix is that there is a broad range of subsectors encompassing businesses of different types and sizes. These industries are also generally compatible in terms of the types of spaces they require. At the same time, both the plan and previous market research emphasize the flexibility necessary in defining an industry mix to adapt to changes in the economy.

The site has a number of strengths, identified in the Economic Diversification Study, which will support its ability to attract new businesses:

- Easy access to the Garden State Parkway and less than 1 hour from Newark Airport.
- High quality of life – good schools.
- Skilled workforce with a large concentration of health care, technology, and bioscience workers.
- Potential for connection with regional universities.
- Strong state business incentives.

However, redevelopment must overcome current structural weaknesses in the New Jersey and national economies. The Economic Diversification study identified the following perceived weaknesses:

- Truck restrictions on the Garden State Parkway (although Route 18 is a state approved Truck Route)
- Lack of direct rail transit accessibility (although the site is served by regional bus service).
- High cost of living.
- No research institutions in Monmouth County.
- Unpredictable permitting process.

These weaknesses do not mean successful redevelopment is impossible, but rather suggest an extended development horizon will be required and patient investments of public sector resources and revenues from initial sales will be necessary to set the ground work for further redevelopment.

The local redevelopment authority is in a strong position to overcome these perceived weaknesses through its partnership with the State Economic Development Authority and unique incentives that the state has made available to support development on the site. The State enabling legislation that established the Fort Monmouth Revitalization Authority (FMERA) included a set of site-specific funding mechanisms to incentivize development and support the Authority in addition to Statewide economic development programs, such as the Economic Redevelopment and Growth Grant (ERG). These mechanisms include:

- Special Improvement District (SID): permits a special assessment on properties.
- Transportation Planning District: permits assessment of transportation impact fee.
- Infrastructure District: permits a “franchise fee” of 50% of sales and uses taxes to be set aside for infrastructure projects in the district.

The range of funding available to this site will help enhance its competitive position in the tough economic climate.

2.6 Description and Justification of the EDC Footprint

The footprint established for this Phase 1 EDC includes the entire Charles Wood area and selected parcels from the Main Post. The parcels to be included were determined by the demand for existing buildings and facilities and the speed at which transfer could take place. The areas included in the EDC application are locations that have identified users or developers and can be transferred with a little or no environmental cleanup.

2.7 Justification for Conveyance of the Property to FMERA

The following sections provide the justification for the conveyance of the property to FMERA.

2.7.1 Fort Monmouth Economic Revitalization Authority

On August 17, 2010, Governor Christie approved the establishment of the FMERA. The resolution also spelled out the makeup of the FMERA board and set forth the Authority’s missions as the preparation of the reuse plan for the Fort. The full Resolution may be found in Appendix E.

2.7.2 OEA Letter of FMERA Recognition

Pat O’Brien, Director of the Office of Economic Adjustment, on behalf of the Secretary of Defense issued a letter on October 12, 2010 recognizing the Fort Monmouth Economic Revitalization Authority as the Local

Redevelopment Authority for purposes of planning for the redevelopment of Fort Monmouth. A copy of this letter is provided in Appendix E.

2.7.3 Value Added from FMERA's Ownership of the Property

Redevelopment of the Fort will be a long, complex process requiring replacement of obsolete facilities, construction of new infrastructure, land parcelization, creation of desirable sites, and the attraction of developers and end-users to ultimately construct new buildings and replace employment. Such a lengthy process will inherently combine both economic development and real estate development. FMERA therefore will need the flexibility and financial resources to act as master developer to prepare the site for the private market. Property ownership by FMERA will facilitate base normalization by ultimately adding value to site redevelopment in the following ways:

Reduced investment risk. FMERA ownership creates a secure business environment reducing uncertainty about future site uses and ownership. Ownership ultimately promotes normalization of the site for the private market with property having clear title, and available for rent or sale on conventional terms. FMERA ownership will allow this process to progress unencumbered by special federal restrictions, creating the perception of a more stable business environment to tenants during marketing.

Development streamlining. Property ownership by FMERA will promote the streamlining of various approval processes at the local and regional levels which could otherwise delay permitting and other approvals, discouraging investors from making a commitment to the Fort. Ownership by FMERA will prevent these delays thereby enhancing the site's marketability for redevelopment. Members of the FMERA board include representatives from several state agencies including:

- Department of Labor
- Department of Community Affairs
- Department of Environmental Protection
- Department of Transportation

Enhanced development authority. Successful military base redevelopment ultimately requires the Fort to compete in the private real estate market. Among the most important core powers by FMERA to undertake redevelopment include the authority to sell, lease, exchange or transfer property, create and manage incentives, borrow and lend money, secure mortgages for debt obligations, and enter into contracts. Land ownership by FMERA will ultimately facilitate these core powers that are critical to competition in the private market.

Propensity to re-invest site revenues. Property ownership by FMERA requires that all revenues generated by FMERA be reinvested back in the Fort for seven years. Revenues from the early sales in Phase 1 will be invested in improvements to existing buildings and upgraded infrastructure. This reinvestment will result in the generation of leasehold revenue that is projected to total \$40M by 2030.

Greater control over development to align with community needs. Property ownership promotes direct control over site redevelopment by FMERA ultimately allowing development to be incentivized through property transfers and other means. By targeting niche users with various incentives, FMERA can guide long-term development to ensure it aligns with community goal as set forth in the Reuse Plan.

2.7.4 Supporting Legal Documents

Appendix E contains copies of legal documents in support of this EDC application.

2.8 Financial Elements of the Reuse & Redevelopment Plan

The following sections describe the financial elements of the Fort Monmouth Reuse & Redevelopment Plan.

2.8.1 Proof of Sufficient Financing

FMERA will utilize revenues from early sales in the first three years of the redevelopment program in accordance with proposed revenue sharing formulae with the Army to manage economic development efforts, implement marketing programs, and perform property management functions. Based on the pro-forma for Phase 1 (shown in Section 3) and the sales forecast for Phase 1 real estate, FMERA could generate nearly \$10M of surplus funds. The development philosophy adopted by FMERA is based on a low debt approach whereby expenses are minimized and property is positioned for re-sale to super block developers.

Because FMERA is organized to operate as a Local Redevelopment Authority and is part of the New Jersey Economic Development Authority (NJEDA), FMERA has the full bundle of public financing tools at its disposal with the backing of the full faith and credit of the State of New Jersey. At this juncture, the development pro-forma does not incur debt, however, the NJEDA and FMERA will have the ability to establish cost recovery mechanisms and issue revenue bonds to make capital improvements (e.g., infrastructure, building improvements) if required and supported by program economics. Traditional lines of credit through local banks may also be tapped to provide for short-term bridge financing.

2.9 Unique Political and/or Public Factors

FMERA is operating under the direct guidance of the NJEDA. The close involvement of the state in the project is evidence of the importance that is placed on the redevelopment at the highest levels of State Government.

2.9.1 Economic Conditions in Monmouth County

Similar to many other military bases, Fort Monmouth is an important economic anchor in Monmouth County. The county has fared comparatively well in spite of the recent economic recession, but without a strategic business plan for Fort Monmouth, there will be additional significant challenges to local economic development.

- **The county has seen healthy population growth from 2000 to 2010.** According to the Census Bureau, in 2000, the total population of the county was 615,300. In 2010 the county population had grown to 630,400, an increase of approximately 2.5%. By 2015, it is projected that the county population will grow to 649,400, a 3% increase. From 2000 to 2010 the New Jersey statewide population grew by 0.5%, and is projected to grow by 0.1% from 2010 to 2015.
- **Young Professionals are a growing share of the county population.** From 2000 to 2010, residents aged 25-44 grew as a portion of the population by 21%. This represents an influx in young professionals and families moving in the area. At the same time, middle-aged residents, between the ages of 45 and 64, saw the greatest decline as a portion of the county's population. From 2000 to 2010, this portion of the population decreased by 22%.
- **Growth of the labor force is the county has lagged.** From 2000 to 2010, the civilian labor force in the county increased from 318,400 to 333,400. This increase represents a 4.7% growth rate in the civilian labor force over 10 years. This rate lags behind the labor force growth rate at the statewide and

national level. From 2000 to 2010, the New Jersey labor force grew from 4,287,800 to 4,502,400, an increase of 5.0%. The national labor force grew by 7.9% during the same time period.

- **Local median income is greater than statewide median income.** The county median household income in 2010 was \$82,970, \$10,450 higher than the statewide median household income. From 2000 to 2010, median household income in Monmouth County increased by over 29%. But while median income levels in the county are higher than at the state level, income growth has actually lagged behind the state. New Jersey median household income increased by 32% from 2000 to 2010.
- **Employment in Monmouth County is reasonably well dispersed.** No one industry has more than 14% of county employment, and the top ten industries represent approximately 75% of employment in the county. As the statewide level, employment is slightly less diversified, with the top ten industries representing 80% of employment. In the county, the top three industries by employment in 2010 were health care (13.3%), retail (11.8%), and educational services (10.1%). But while health care and educational service employment have both seen substantial growth from 2000 to 2010, retail employment actually contracted by 1.6%. Other industries that have seen large decreases in the share of county employment from 2000 to 2010 are manufacturing (35.8% decrease) and information (29% decrease).
- **Unemployment in Monmouth County has increased dramatically since 2000, but is still lower than the statewide level.** In 2010, the county unemployment rate was 8.6%, more than double the rate in 2000 of 3.2%. Nonetheless, the county rate was still lower than the 2011 statewide rate of 9.5%, which had increased from a 2000 rate of 3.7%. The increase in the unemployment rate at the county level, however, has been higher than at the statewide level. From 2000 to 2010, the Monmouth County unemployment rate increased by 169%, where the State unemployment rate increased by 157%.

Economic conditions show that Monmouth County has achieved modest population and income growth from 2000 to 2010, in spite of a loss in jobs and the challenges inherent in a struggling national and statewide economy. However, the local economy has still suffered some ill effects due to the economic recession, most notably the dramatic increase in unemployment. In order for Monmouth County to consolidate its comparative advantage in the region, it must continue to attract new businesses and sustain the growth of the crucial 25-44 age range.

2.9.2 Extent of State and Local Investment

No direct investment of state or local grants have been included in the business plan. The State of New Jersey has however, decided to make improvements totaling \$40M to Exit 105 on the Garden State Parkway. These improvements will dramatically improve access to the Fort and directly benefit the redevelopment of the site.

Monmouth County has numerous infrastructure projects planned which will benefit the Fort's redevelopment. These include bridge reconstruction and roadway widening to improve access and traffic flow. The County has plans for widening of Tinton Avenue from the Garden State Parkway to State Route 35, Oceanport Avenue through the area adjacent to the Fort and Hope Road from Tinton Avenue to State Route 36. These widening projects alone total more than \$14M.

SECTION 3: BUSINESS PLAN FOR THE EDC APPLICATION

3.1 Introduction to the Business Plan

The business plan described in this section has been created for implementation of the approved Reuse Plan in a manner that maximizes market opportunities for the property while managing risk in an uncertain national economy. The strategy for redevelopment is based on the land plan, the parcel disposition plan and market study that present a reasonable chronology of site development over the 20-year period. The business plan and pro forma reflect the anticipated inflow and outflows of funds associated with the phased implementation of the development.

3.2 Parcelization Plan

This EDC application will provide an overarching approach to the transfer of property to FMERA under the concept of providing the Army with “best value” as opposed to “fair market value”. While not mutually exclusive, best value approaches balance the need to both provide a return on investment and produce job creation. Best value approaches inherently reflect the potential need to use discounted property values (and other economic incentives) to attract sustainable, long-term employment.

Phase 1 is comprised of approximately 489 acres of land in the Charles Wood area and 111 acres in the Main Post. The Charles Wood area includes 235 acres in Tinton Falls and 254 acres in Eatontown. The Eatontown property is made up of the Golf Course area and the Howard Commons residential complex as well as adjacent open space. The Tinton Falls acreage includes the 674,000 sf Myer Center as well as several other buildings that are expected to be leased or transferred to the communities for public use. The remaining Tinton Falls property will be sold and/or developed for commercial or retail uses.

The Main Post portion of the Phase 1 EDC includes 54 acres in Eatontown and 22 acres in Oceanport. The Eatontown property includes the 54-acre area near Highway 35 which is expected to be developed for retail and mixed uses. The Oceanport property includes the Marina and the Clinic.

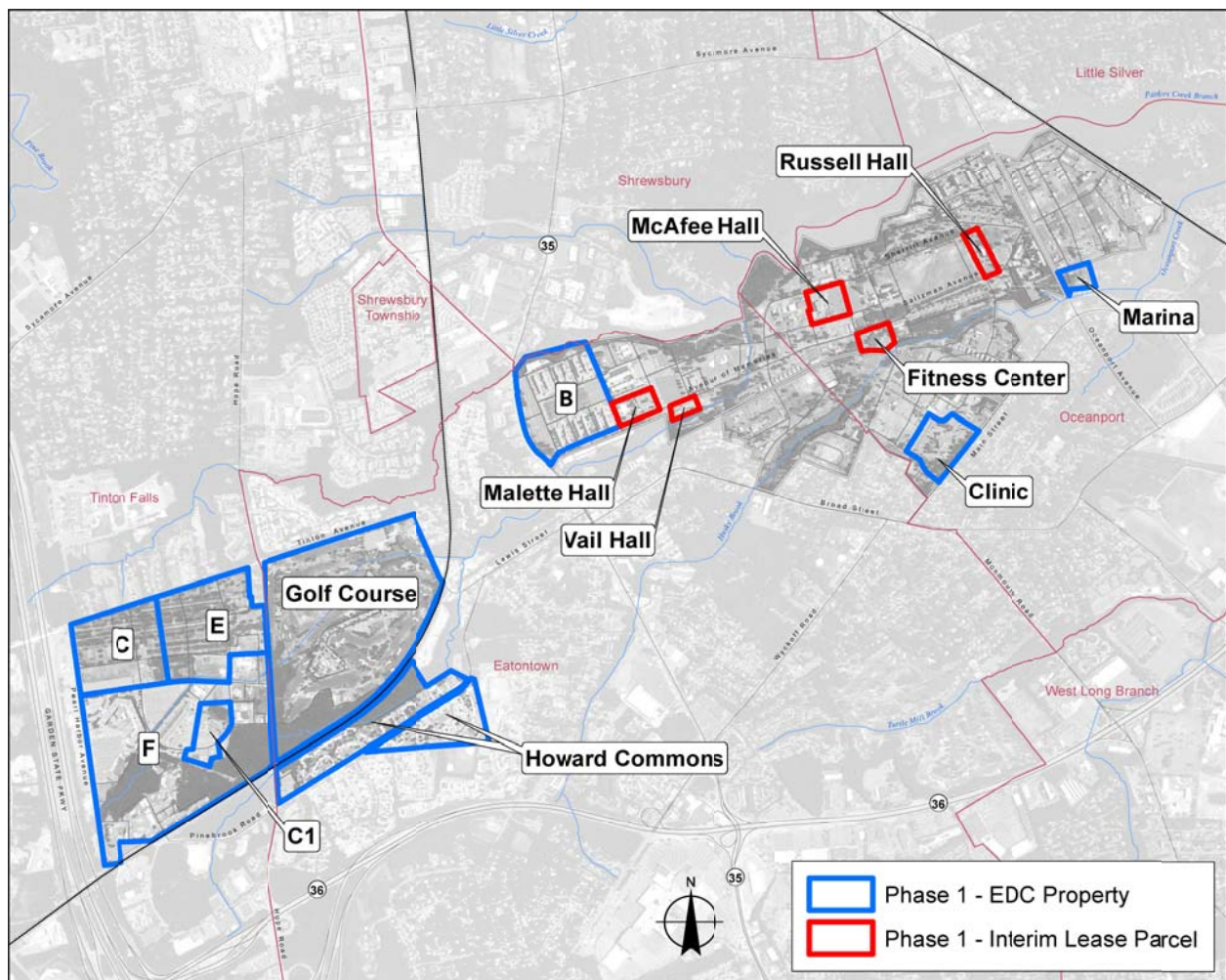
The Phase 1 EDC will be parcelized by FMERA and sold “As-is” to third party developers through a competitive sale process. The third parties will be responsible for demolition if required. The parcels jointly selected by the Army and FMERA are considered to have limited environmental impairment and therefore are considered relatively ready for development and subject to reasonable market discounts in a competitive property disposition process.

As shown in Exhibit 3.2-A, the Phase 1 parcels will have a development potential of about 537 residential DU's, and 1.7M sf of commercial office and retail floor space. It is anticipated that the property offering will require purchasers to also participate in infrastructure programs and make payment of prevailing impact fees to support the converted land uses and mitigate potential impacts related to growth. FMERA will work with the affected communities of Tinton Falls, Eatontown, and Oceanport to offset direct costs related to services during the planning and entitlement of Phase 1 properties by the third party developers and intends to accrue sales proceeds to provide financial reimbursement.

More specifically, the Parcelization Plan for the EDC requested in this application as presented below consists of the following:

- Charles Wood
 - Golf Course
 - Howard Commons
 - Parcel C
 - Parcel C-1
 - Parcel E
 - Parcel F
- Main Post
 - Marina
 - Parcel B
 - Health Clinic

Exhibit 3.2-A: Phase 1 EDC Parcels



3.3 Development Timetable, Phasing Schedule, and Cash Flow Analysis

Redevelopment of the Fort will require a just-in-time delivery approach to match the availability of revenues with projected development absorption. The phasing of the project will be determined by the market demand as well as by the availability of funds.

EDC Phase 1 Sources of Funds

The business plan for Phase 1 has identified the following sources of funds totaling \$225.0M over the 20-year pro forma:

S-1 Environment Remediation: Remediation costs have been assumed to be funded separately through and Environmental Services Cooperative Agreement (ESCA) and, therefore, no revenues have been shown in the pro forma.

S-2 Royalties from Development Partnerships: FMERA may enter into agreements with partners to proceed with the development of the property. Since no partnership agreements have been completed, the pro forma does not include any potential royalties.

S-3.1 Proceeds for Army from Charles Wood Properties: Sales from the Charles Wood areas are expected to generate significant revenue to the program. The revenues from these sales are to be 63%/37% between the Army and FMERA with the exception of two parcels: Parcel C (29 acres at the southeast corner of Tinton Avenue and Pearl Harbor Avenue) will be split 80%/20%, and Parcel E (55 acres at the southwest corner of Tinton Avenue and Hope Road) will be split 20%/80%. In each case the first percentage is the Army's portion. Based on the sales forecasts, the Army's share of the proceeds is expected to be \$43.9M.

S-3.2 Proceeds for Army from Main Post Properties: Main Post properties projected to be sold include Parcel B (54 acres near Highway 35) and the Clinic, which is anticipated to sell in Year 2. Revenues from the sales of Parcel B will be split 60%/40% while other sales revenues will be split 63%/37%. A total of \$13.2M will be generated for the Army.

S-3.3 Revenue from Leasehold Properties to Army: Several properties are expected to be leased by FMERA to outside users over the early years of the program. The properties include some outside the boundaries of the Phase 1 EDC, but which the MOA has given FMERA the right to lease, such as the McAfee Center. . Revenues from leases for the properties within the Phase 1 EDC will be split 20%/80% in Years 1 and 2 and 63%/37% in Years 3-20. FMERA will lease properties outside the Phase 1 area with a 20%/80% split for the first two years. The leases will be renewable in two year increments, but beyond the first two years the revenue split will be 63%/37%. The pro forma shows these leases being renewed every two years with the same revenue split through Year 20. The total leasehold revenue accruing to the Army under this scenario is \$21.8M.

S-4.1 Proceeds for FMERA from Charles Wood Properties: FMERA's share of the proceeds described above is projected to be \$26.3M.

S-4.2 Proceeds for FMERA from Main Post Properties: Main Post properties projected to be sold include Parcel B (54 acres near Highway 35) and the Clinic, which is anticipated to sell in Year 2. Revenues from the sale of Parcel B will be split 60%/40% and other sales will be split 63%/37% with a total of \$7.8M for the FMERA.

S-4.3 Revenue from Leasehold Properties to FMERA: Under the scenario described above in S-3.3, total revenues accruing to FMERA from leased properties is estimated to be \$18.6M over the 20-year pro forma.

S-6 Public Infrastructure Requirements: Public infrastructure is estimated to equal approximately \$137,000/acre and funding is expected to be generated via a combination of ad valorem taxes, ERG grants, utility development funds, general funds from the townships and revenue bonds. The total is estimated to amount to \$32.4M over the 20-year time frame and provide sufficient resources to build roadways, utilities and other infrastructure that serve the entire site. This amount is matched by the expenses shown at U-8 and will not have a net effect on the cash flow.

S-9 Other Asset Sales (Electric and Telecommunications Franchises): Negotiations are pending with franchise utilities and no revenues have been projected from these sources.

S-10 Water Sales: Revenues from water sales are expected to be a direct pass-through to the local provider (New Jersey American Water). The revenues have been projected to total \$37.2M.

S-11 Wastewater Treatment Charges: Similar to water sales, these revenues are expected to be a direct pass-through to the local utility (Two Rivers Water Reclamation Authority). The revenues have been projected to total \$19.6M.

S-12 Grants (OEA and Federal EDA): The development plan anticipates the FMERA receiving a combination of available OEA, and EDA grants during the redevelopment program with \$700,000 in the first year of operation and a total of \$3.8 over three years.

S-13 State fund for Grant Matching: FMERA anticipated receiving grants from the State of New Jersey to cover its grant matching requirements. The total grants received are projected to be about \$380,000.

S-14a Assignment of Infrastructure Costs thru Development Agreements: No fee structure has been set and no revenues are shown on the pro forma.

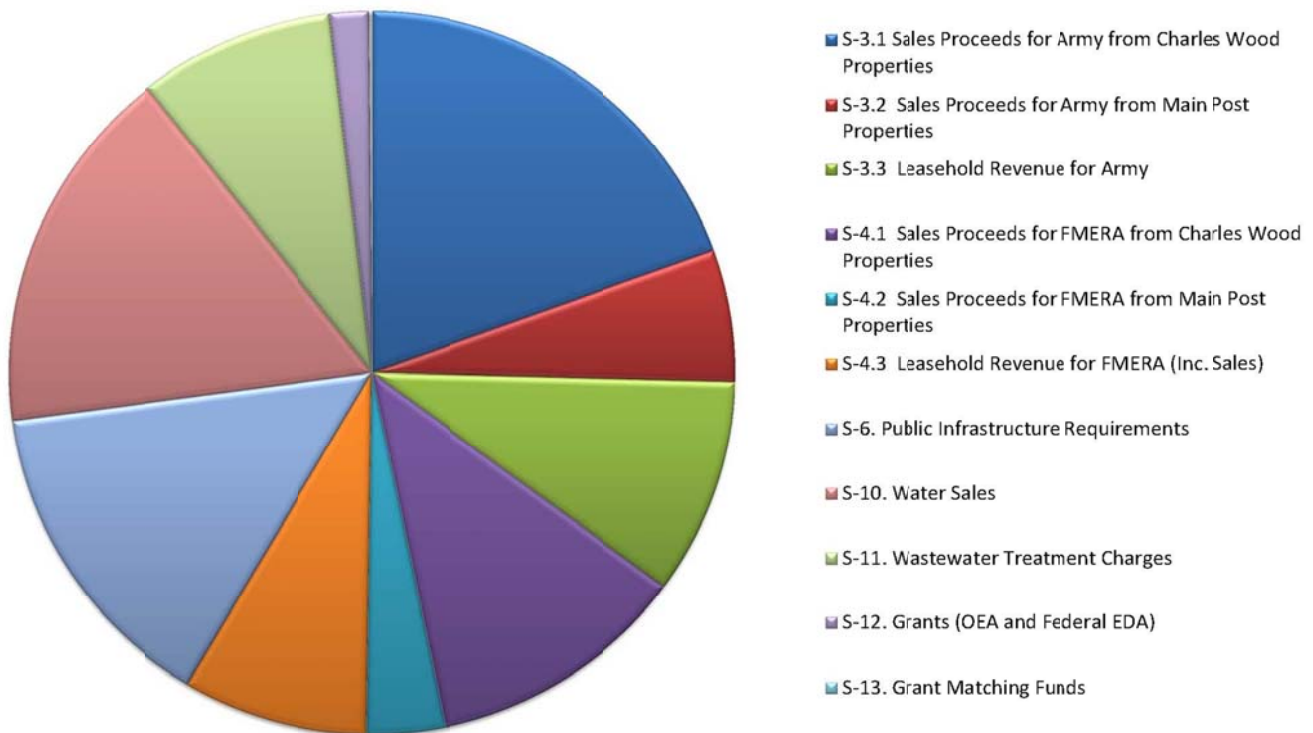
S-15 ERG Grants: ERG grants are a potential source of funds for the program, but none have been included in the pro forma.

S-16 Revenue Bond Proceeds: FMERA has bonding capacity and could use bonds to overcome any short-term revenue shortfalls. The pro forma does not show the need for bonding and no revenue from bonds are included.

A distribution of the Phase 1 EDC Sources of Funds is presented below (Figure 3.3-A).



Exhibit 3.3-A: Phase 1 EDC Sources of Funds



Phase 1 EDC Uses of Funds

Uses of funds for Phase 1 are estimated by FMERA to total \$224.6M over the 20-year program and consist of the following elements:

U-1 LRA Operations: The budget for FMERA's operations and administration in Year 1 is estimated to be of \$1.85M annually. Including a 2% escalation for inflation and assuming staff needs decrease as the program progresses, the 20-year total is forecast to be \$23.10M.

U-2 Professional Services: Professional services such as accounting, marketing and legal will be required by FMERA in administration of the EDC Phase 1. The budget projects these expenses to total of \$10.3M for the 20-year time period.

U-3 Water Treatment Plant Operations and Maintenance: Revenues from water sales are expected to be a direct pass-through to the local provider (New Jersey American Water). The revenues have been projected to total \$37.2M which will be transferred to the NJAW unless a different agreement is reached.

U-4 Roadway and Drainage Maintenance: The maintenance of the public infrastructure is to be the responsibility of the local governments and will be funded from the set asides shown in U-16.

U-5 Wastewater Treatment Charges: Similar to water sales, these revenues are expected to be a direct pass-through to the local utility (Two Rivers Water Reclamation Authority). The revenues have been projected to total \$19.6M which is expected to be transferred to the TRWRA.

U-6 Operating Contingency: A three-year budget of \$250,000 is proposed by FMERA for management of incidental maintenance functions, ranging from \$100,000 in Year 1 to \$75,000 in Year 3.

U-8 Public Infrastructure Requirements: Public infrastructure will be constructed as the project develops to meet the needs of the development and will be financed as described above (S-6). The total costs projected over the 20-year pro forma is \$32.4M. This amount matches the source (S-6) and will not have a net effect on the cash flow.

U-10 Maintenance of Existing Unoccupied Buildings: A number of existing buildings will be maintained on the assumption that they will be leased or sold in the near future. A \$3.50/sf annual cost has been estimated for this maintenance. The total cost is projected to be \$3.9M.

U-13 Property Management and Common Area Maintenance: The costs for maintaining buildings and common areas for leased properties will be necessary. These costs have been projected to be \$1.5M.

U-14 Tenant Improvement to Existing Buildings: Some buildings will require improvements to accommodate potential tenants. The pro forma projects a total expenditure of \$8.0M to upgrade buildings to meet market requirements.

U-15.1 Payment of Proceeds from Charles Wood Sales to Army: The revenues described in S-3.1 will be distributed to the Army, totaling \$43.9M

U-15.2 Payment of Proceeds from Main Post Sales to Army: The revenues described in S-3.2 will be distributed to the Army, totaling \$13.2M.

U-15.3 Payment of Proceeds from Leasehold Revenue to Army: The revenues described in S-3.3 will be distributed to the Army, totaling \$21.8.

U-16 Set-Aside of Portion of FMERA Revenue: FMERA intends to set aside \$8.9M for cost incurred by the three communities, including those described in U-4.

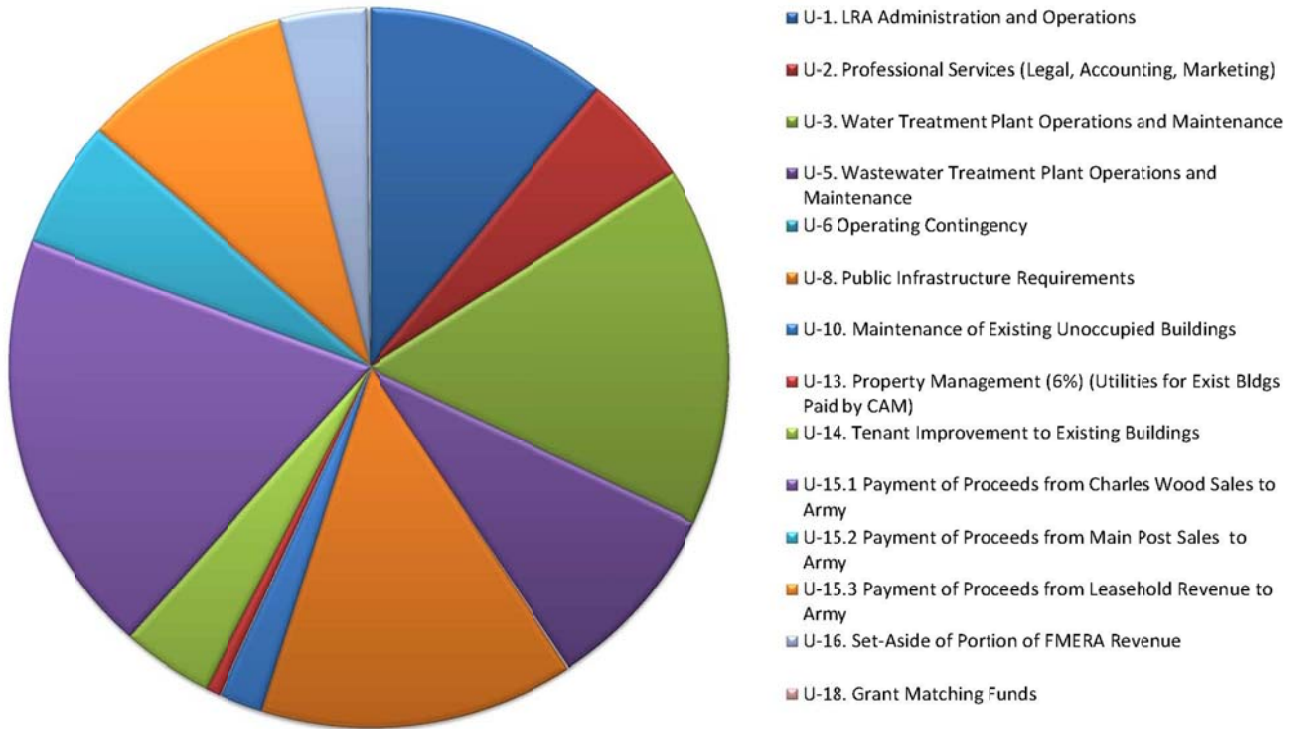
U-18 Grant Matching Funds: Matching funds will be required in order to obtain anticipated grants. The matching funds will equal 10 percent of the grants and represent about \$380,000 over the 20-year business plan.

U-19 Other Financing Costs: No additional financing costs have been assumed.

U-20 Revenue Bond Payment: As described in S-16, bonds are a potential source of funds, but no bonding has been assumed for this pro forma.

A distribution of the Phase 1 EDC Uses of Funds is presented below (Figure 3.3-B).

Exhibit 3.3-B: Phase 1 EDC Uses of Funds



EDC Phase 1 Pro-forma

The EDC Pro Forma represents the sources and uses of funds for a twenty year build-out horizon of the property with all of its assets and liabilities intact. The specific methodologies for financing the development will be dependent on market interest and township and state entitlement requirements. It is the intent of the FMERA to use an "as-is" and "where-is" approach not a master developer approach to redevelopment at the former Fort Monmouth.

The land sales and development of the former Fort Monmouth will be accomplished using an "as-is" and "where-is" real estate market approach. This methodology allows for development of real estate to occur as the private sector investors and developers value the property at a higher sales price than its liabilities and entitlement costs. The EDC does not include the collection of any development impact fees nor any specific sinking fund that gets generated from land sales. The entire development is to pay its own way in a manner consistent with "as-is" and "where-is" real estate transactions in these townships outside the boundaries of the Fort.

The inherent liabilities caused by redevelopment may include the following:

- the cost of onsite utilities and roads
- the cost of utility connections and tap fees
- the cost of onsite demolition
- the cost associated with any unresolved environmental constraints
- the costs associated with entitling the property in the township and state
- the costs for offsite infrastructure improvements required to serve only the parcel being developed (consistent with existing jurisdictional codes and statutes).

The public sources of funds applied to the development may include:

- Ad Valorem Taxing Structures for offsite roadway improvements and maintenance
- Economic Redevelopment Grants (ERG) to offset public infrastructure improvements
- Application of utility development funds for offsite telecommunications, gas and power to the site
- Application of offsite water and sewer improvement funds from utility providers to the site
- Use of funds from the General Obligation Account of the townships
- Use of Revenue Bonds for public works projects to support the development

In essence, the revenue generated from public coffers will be augmented by developers of the as-is/where-is properties to provide unfunded public improvements listed in the business pro forma as trunk infrastructure, representing approximately \$32 million dollars of improvements over the 20-year period. The expenditures will be managed to match the revenues collected and will not have an effect on the overall cash flow of the pro forma.

The pro-forma summary for Phase 1 is presented in the table below.

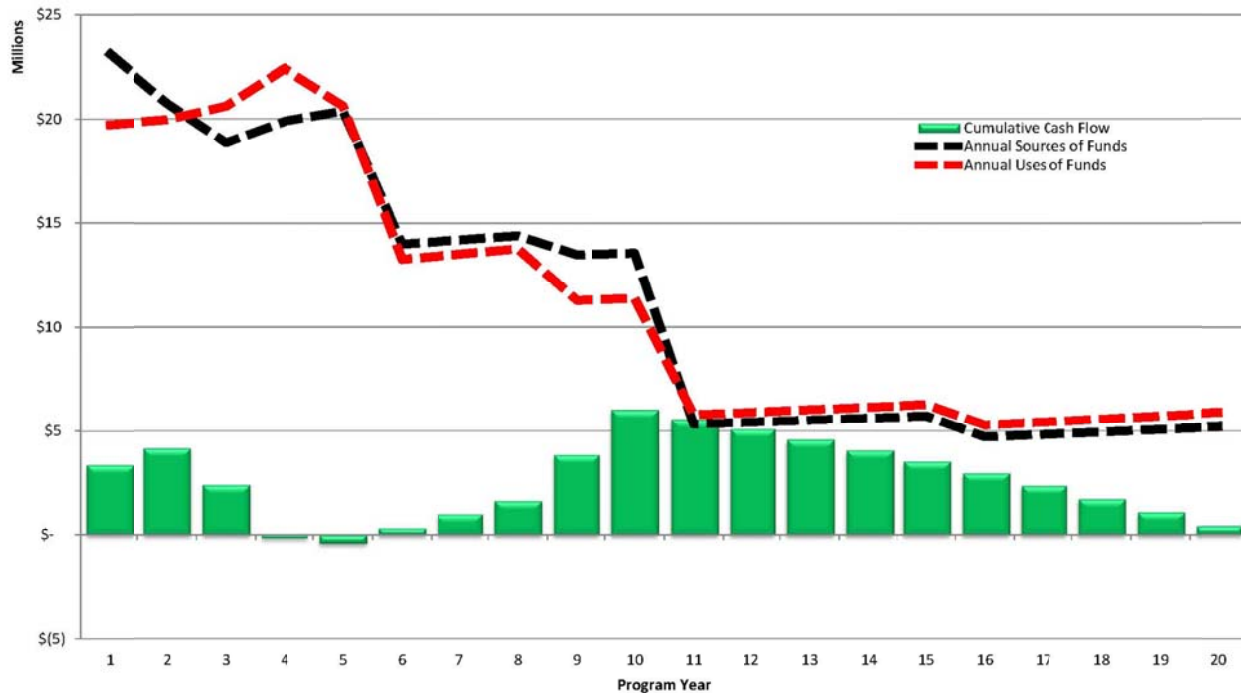
Exhibit 3.3-C: Phase 1 Pro Forma

Ft Monmouth EDC Phase 1 - Financial Plan Financial Plan Summary		
Sources of Funds	Comments	Totals
S-3.1 Sales Proceeds for Army from Charles Wood Properties	Assumes Splits Negotiated by Army/FMERA (63/37), except for 80/20 for Parcel "C" and 20/80 for Parcel "E". Refer to Table 2 for details.	\$ 43,915,948
S-3.2 Sales Proceeds for Army from Main Post Properties	Assumes 63/37 Army FMERASplit for years 1 thru 10. Only limited development of Main Post area is assumed based on market absorption and minimum sales pricing agreements to ensure coverage of infrastructure and development costs. Refer to Table 3 for details.	\$ 13,230,000
S-3.3 Leasehold Revenue for Army	Assumes 20/80 Army FMERA Split for years 1 and 2 63/37 for Years 3-20. Specific leasing Rate: Provided by FMERA; (See Table 4)	\$ 21,792,853
S-4.1 Sales Proceeds for FMERA from Charles Wood Properties	Assumes Splits Negotiated by Army/FMERA (63/37), except for 80/20 for Parcel "C" and 20/80 for Parcel "E". Refer to Table 2 for details.	\$ 26,297,996
S-4.2 Sales Proceeds for FMERA from Main Post Properties	Assumes 63/37 Army FMERA Split for years 1 thru 10. Only Limited Development of MainPost Area is assumed based on market absorption and minimum sales pricing agreements to ensure coverage of infrastructure and development costs. Refer to Table 3 for details.	\$ 7,770,000
S-4.3 Leasehold Revenue for FMEFA (Inc. Sales)	Assumes 20/80 Army FMEFA Split for years 1 and 2 63/37 for Years 3-10 for Phase 1 properties. Assumes 20/80 split for non-Phase 1 properties through Year 10 and 100% for FMERA Years 11-20. Specific Leasing Rates Provided by FMERA; (See Table 4)	\$ 18,555,732
S-6. Public Infrastructure Requirements	Equal to ~\$137K per gross acre to be obtained through Ad Valorem Taxes, ERG Grant, Township General Funds, utility funds, etc.	\$ 32,401,946
S-10. Water Sales	Negotiations with Water Service Provider Pending; Assumes Payment of prevailing New Jersey American Water Rates	\$ 37,181,429
S-11. Wastewater Treatment Charges	Negotiations with Water Service Provider Pending; Assumes Payment of Prevailing Tap Fees for Two Rivers Water Reclamation Authority	\$ 19,645,017
S-12. Grants (DEA and Federal EDA)	Only Expected OEA Grants are shown at this Time	\$ 3,824,100
S-13. Grant Matching Funds	To cover 10% Grant Matching Requirements	\$ 382,410
Total Revenue Sources		\$ 224,997,431
Uses of Funds	Comments	Totals
U-1. LRA Administration and Operations	Reduced 7.5%+/- from previous models. FMERA to manage costs to maintain positive cash flows.	\$ 23,146,403
U-2. Professional Services (Legal, Accounting, Marketing)	Reduced 10% +/- from previous models. FMERA to manage costs to maintain positive cash flows. Years 4-20 escalate cost by inflation	\$ 10,338,479
U-3. Water Treatment Plant Operations and Maintenance	Costs shown as a Pass Through until decision on privatization made	\$ 37,181,429
U-5. Wastewater Treatment Plant Operations and Maintenance	Costs shown as a Pass Through until decision on privatization made	\$ 19,645,017
U-6 Operating Contingency		\$ 250,000
U-8. Public Infrastructure Requirements	Just-in-Time Construction to match sources shown in S-6	\$ 32,401,946
U-10. Maintenance of Existing Unoccupied Buildings	Assumes \$3.50/sf for annual building maintenance (reduced from \$4 in previous models)	\$ 3,925,213
U-13. Property Management (6%) (Utilities for Exist Bldgs Paid by CAM)	6% of Lease Revenue	\$ 1,495,401
U-14. Tenant improvement to Existing Buildings	Per FMERA: Assumes initial improvements of \$17/sf (reduced from \$20 in previous models). Further TI is accounted for in lease rates.	\$ 7,969,056
U-15.1 Payment of Proceeds from Charles Wood Sales to Army		\$ 43,915,948
U-15.2 Payment of Proceeds from Main Post Sales to Army		\$ 13,230,000
U-15.3 Payment of Proceeds from Leasehold Revenue to Army		\$ 21,792,853
U-16. Set-Aside of Portion of FMERA Revenue	For EDC-qualifying community expenses paid by FMERA (Augmentation of Roadway and Utility Maintenance in U-4)	\$ 8,900,000
U-18. Grant Matching Funds	Assumes a 10% Local match	\$ 382,410
Total Revenue Uses		\$ 224,574,156
Aggregate Cash flow		\$ 423,275

EDC Phase 1 Cash Flow

A histogram of Phase 1 cash flow is shown below.

Exhibit 3.3-D: Phase 1 EDC Cash Flow



3.4 Market and Financial Feasibility Analysis

The existing market conditions suggest a long development timeframe for the redevelopment of the Fort. If recent trends continue, FMERA will have to be very judicious in its development plan and select qualified development partners.

3.4.1 Local/Regional Competitive Development Sites

There are no development sites in the region of the scale of Fort Monmouth. The local office market is primarily smaller types footprints on relatively small sites. Similarly, the retail demand has been mostly for smaller shops and storefronts.

3.4.2 Land Use Absorption Projections

Based on market studies, market demand will absorb all but 50 acres of Phase 1 over the next 20 years. Residential absorption, capped at 1585 units by the Reuse Plan, will include approximately 667 dwelling units in the Phase 1 area. Including the early lease buildings, almost 1,800,000 square feet of commercial real estate space is forecasted to be occupied by the end the 20-year study period.

3.4.3 Estimate of Net Proceeds Over 20-Year Period

A comparative analysis of the annual and cumulative cash flow is presented in the accompanying appendices. A positive net cash flow over the forecast period is projected to be **\$0.4M**. The lease revenues from the properties outside the Phase 1 EDC boundary are a significant portion of the projected revenue totaling \$18.6M over the 20-year horizon. FMERA will need to monitor closely the actual revenues from these properties to maintain a positive cash flow. The business plan and implementation model will provide flexibility in the timing of capital investments and anticipate the potential need to provide bond financing to fund and amortize long-term

infrastructure costs within the program. The comparison of financial model results enables FMERA to perform sensitivity analyses and to better manage profitability of the program. FMERA will manage costs (and break-even) for the conservative model projection and investments as needed to keep pace with optimistic program velocity.

Several properties outside Phase 1 EDC boundary are expected to be leased by FMERA under the terms of the Memorandum of Agreement. FMERA will receive 80% of the lease revenue from these properties over the first two years. The leases will be renewable with the FMERA receiving 37% of the revenue on renewed leases. The financial plan assumes that these leases will be renewed with FMERA receiving 80% of the revenue in Years 1 and 2 and 37% in Years 3 through 20.

3.5 Cost Estimate/Justification for Infrastructure and Other Investments

A preliminary infrastructure plan and cost model has been prepared to meet both the baseline growth scenario for the Fort property. These plans identify and account for the provision of both in-tract and trunk improvement costs plus the addition of water and waste water enterprise costs and revenues. The improvements proposed are provided “just-in-time” to accommodate development as it occurs. In addition to the \$32.4 million for trunk infrastructure, \$22.7 million is projected to be needed over the next 20 years for in-tract improvements.

3.6 Proposed Level of State and Local Government Investment

Redeveloping the base is a significant opportunity, but will also require a substantial government investment to replace aging infrastructure, address environmental issues, and reposition the Post for development as a modern, sustainable, mixed use community.

The State already has enacted or is in the process of implementing several site specific economic development policies in addition to its robust slate of statewide incentives. Site specific policies include improving the site’s accessibility through the development of a direct ramp to the Garden State Parkway and the establishment of an infrastructure financing district through FMERA’s enabling legislation. The sections below detail both the site-specific policies and the most relevant statewide incentives.

Garden State Parkway Exit 105A

One plan being pursued by the State that is critical to the success of the Fort Monmouth Redevelopment is the new Garden State Parkway Interchange:

- The plan will reconfigure a segment of the Parkway in Tinton Falls at Exit 105. New ramps will be added from the southbound Parkway to Wayside Avenue and there will be new signage in both directions at the exit for visitors to the area. The project also includes funding for improvements at the intersection of Hope Road and Route 36. These improvements will improve traffic flow, wayfinding, and access to the Fort Monmouth grounds.
- A design contract for the work is expected to be awarded in the summer of 2011, with construction scheduled to start in 2013.
- The State has committed to fund the \$40 million improvements from the New Jersey Turnpike Authority’s 10-year, \$7 billion capital program.¹

¹ Source: Lee, Evelyn, *State Pledges \$40M to Parkway interchange Near Fort Monmouth*. NJBIZ, April 29, 2011. http://beta.njbiz.com/index.php?option=com_content&view=article&id=87111:state-pledges-40m-to-parkway-interchange-project-near-ft-monmouth&catid=34:daily-news&Itemid=2

Infrastructure Financing District

The state authorization legislation for the Fort Monmouth Economic Revitalization Authority (FMERA) included several financing mechanisms to dedicate revenues to the property. FMERA has the power to establish any of the following types of special taxation districts in order to generate revenue to fund redevelopment:

- **Special Improvement District.** A Special Improvement District (SID) would allow FMERA to establish an area within the project area in which a special assessment on property can be imposed for the purpose of promoting economic development and general welfare in the area. Projects funded with revenue generated by the SID may include marketing, clean-up initiatives, beautification and streetscaping, and infrastructure improvements.
- **Transportation Planning District.** The Transportation Planning District is an area, for which the borders would match those of the project area, where state departments and agencies, local corporations, metropolitan planning organizations, and county and local government officials collaborate to create a comprehensive transit plan. After the authority adopts the plan, it may assess fees on development to fund the implementation of the plan.
- **Infrastructure District.** The infrastructure district is an area where a “franchise fee” is imposed on businesses within the area, in order to fund future infrastructure improvements. This fee can equal up to 50% of the existing sales and use tax, or 3.5% and is assessed at the point of sale, and vendors can apply to have the applicable state sales and use tax reduced from 7% to 3.5%. Certain products are excluded from the fee, including alcohol, cigarettes, motor vehicles, manufacturing equipment, and utilities.

Revenues generated via these mechanisms can only be spent on projects within the authority for the enhancement of the redevelopment.

Key Statewide Economic Development Incentives

The following statewide economic development programs will also be important in supporting the site’s ability to attract tenants. The purpose of this section is to provide an overview of programs that are most relevant for the site. Some programs may not work well in conjunction with each other or special incentives for the site. For example, as a portion of the sales tax revenues are dedicated to redevelopment through the infrastructure financing district, lower revenues are available for capture through a state ERG grant.

- **Economic Redevelopment and Growth (ERG) Program.** This program incentivizes redevelopment projects by committing future streams of state and/or local tax revenues (up to 20 years) to the developer through a reimbursement. Developers of redevelopment projects may apply for an incentive grant up to 20% of development project costs that is funded by up to 75% of the annual incremental State and/or local tax revenue. Developers must demonstrate that project financing gap exists to receive the grant, and the value of the grant may not exceed this gap. Any project that receives an ERG grant must enter into a prevailing wage agreement, and residential projects must reserve at least 20% of units constructed for occupancy by low- or moderate-income households. Since the Brownfields and Contaminated Site Remediation Program & ERG use the same state tax revenue streams, developers or other applicants may not receive both.

- **Business Employment Incentive Program (BEIP).** The purpose of this program is to encourage businesses located in New Jersey to increase employment in the State or relocate existing employees to the State, through a grant equal to as much as 80% of the total amount of employee state income tax withheld by the company. Business relocating or expanding in New Jersey may qualify to receive annual incentive grants for creating new jobs in New Jersey. Grants may equal up to a maximum of \$50,000 per employee over the course of the grant (10 years).
- **Bond Financing Program.** This program allows the New Jersey Economic Development Authority to issue tax-exempt bonds, the proceeds of which are used to provide low-interest loans to businesses. Credit worthy New Jersey companies, not-for-profit organizations, or exempt facilities may apply for long-term financing under the Bond Financing Program. Financing may amount to between \$500,000 and \$10 million in tax-exempt bonds for for-profit companies and tax-exempt bonds with no upper limit for not-for-profit organizations.
- **Business Retention and Relocation Assistance Grant (BRRAG).** The purpose of BRRAG is to provide grants of corporate business tax credits for business relocating or retaining operations and employment within New Jersey. Businesses who retain or relocate a minimum of 50 jobs in New Jersey may apply for a credit of up to \$2,250 per year per job for up to six years. The actual amount of the credit is contingent on so-called “bonus credits”, awarded for other criteria such as locating jobs in urban centers, capital investments, and others. This credit level was enacted by legislation signed by Governor Christie in January 2011. The previous iteration of the program only provided a one-time tax credit of \$1,500 per job.
- **Brownfields and Contaminated Site Remediation Program.** This program reimburses developers for remediation of brownfields sites by taking an assessment on the sales tax of new businesses that locate on the formerly-contaminated sites. Development in New Jersey in need of financial assistance to clean up and redevelopment polluted sites may enter into a redevelopment agreement with the New Jersey Economic Development Authority and be eligible to recover up to 75% of approved costs associated with remediation. Since the Brownfields and Contaminated Site Remediation Program & ERG sue the same state tax revenue streams, developers or other applicants may not receive both.
- **Fund for Community Economic Development.** This program provides loans to developers to help close the financing gap on projects that are not financially feasible. These loans are made available at a base rate equal to the 5-year US treasury rate, plus 100 basis points for fixed-rate loans and minus 150 base points for variable rate loans. Developers of real estate in urban and Smart Growth locations can apply for up to \$1.25 million in loans to fill financing gaps in the development of community facilities and other real estate-based economic development projects.

Institutional Partnerships

Finally, there may be an opportunity for FMERA to partner with local and regional institutions to advance development efforts. FMERA might partner with local academic institutions such as Rutgers University of Monmouth University. FMERA could provide land and financial incentives if either of these institutions agreed to locate either administrative or academic uses on the grounds of the Post. Additionally, there may be an opportunity to pursue a more aggressive model in which FMERA partners with an academic institution that

establishes an academic research facility on the site. This facility would serve as a magnet for private-sector investment, attracting commercial research and development businesses to locate on or near the site. Further, the research facility could double as an incubator for new businesses in complimentary industries. This model has been deployed in a number of competitor states and regions, where academic infrastructure has been leveraged to capture private-sector economic growth. Examples include Research Triangle in North Carolina, the Route 128 corridor in Massachusetts, or the pharmaceutical and biosciences hub that has emerged in San Diego. Recently, the New York City Economic Development Corporation (NYCEDC) has released an RFP for an academic institution to anchor a proposed applied science & technology campus that would serve as an incubator for and a driver of private-sector economic growth driven by research and development.

FMERA might also explore the opportunity to partner with preparatory academies that are oriented towards military or security training. In exchange for use of existing facilities on the grounds, such an organization might contribute funding for redevelopment of a portion of the grounds. Further, utility companies may be a possible partner in the redevelopment process, as improvement to local and regional infrastructure would prove mutually beneficial for both parties.

3.7 EDC Consistency with Overall Reuse & Redevelopment Plan

The EDC requested by FMERA is consistent with the findings of the Reuse Plan approved by in October, 2008. The total land area of this application is 566 acres or 50 percent of the total Fort property. Overall the land uses have remained consistent with the Reuse Plan and building space and residential units do not exceed the Reuse Plan.

3.8 Requirements for Personal Property and Equipment

In addition to land, items of personal property valued are being requested as part of this EDC Application. A complete list of the identified equipment is provided in **Appendix C**.

3.9 Reuse & Redevelopment Plan Implementation Options

The following section describes the implementation options for the Reuse & Redevelopment Plan.

3.9.1 Consideration of Other Conveyance Mechanisms

The following exhibit details the various conveyance mechanisms and an analysis of their applicability and suitability for use at Fort Monmouth.

Exhibit 3.9.1: Consideration of Other Conveyance Mechanisms

CONVEYANCE METHOD	CONDITIONS	PLANNING CONSIDERATIONS	COMMENTS ON APPLICABILITY
PUBLIC BENEFIT CONVEYANCE (PBC)	<ul style="list-style-type: none"> ▶ The property is conveyed at market value unless a sponsoring agency determines a discount is warranted ▶ The property must be used for public purposes (schools, healthcare, recreation, etc.) ▶ Sponsoring agencies may impose additional land use controls 	<ul style="list-style-type: none"> ▶ Market value is an objective of the sponsoring agency – an appraisal will most likely be needed ▶ Consideration should be given to how the reuse plan will affect market value and ultimately the price paid to the sponsoring agency 	<ul style="list-style-type: none"> ▶ Applicable to property to be utilized for public purposes such as open space, schools, hospitals, etc., and not for the primary purpose of job creation. ▶ The primary purpose to be achieved by the implementation of the <i>Plan</i> for the proposed EDC footprint is job creation
NEGOTIATED SALE TO PUBLIC ENTITIES	<ul style="list-style-type: none"> ▶ Property can only be conveyed to public entity for a public benefit ▶ Same benefit cannot be obtained from sale or PBC conveyance ▶ Congress must approve ▶ If property is sold within 3 years, all profits revert to the military 	<ul style="list-style-type: none"> ▶ Market value will determine final sale price for LRA or other public body – an appraisal must be completed ▶ A very detailed reuse plan may result in higher market value than a more generalized plan 	<ul style="list-style-type: none"> ▶ Use of this conveyance authority requires that the property be conveyed for a well-established public purpose. The primary purpose to be achieved by the implementation of the <i>Plan</i> for the proposed EDC footprint is job creation
ADVERTISED PUBLIC SALE	<ul style="list-style-type: none"> ▶ Property is conveyed by the military through public bidding process ▶ Military will consult with FMERA before taking this approach ▶ The military's objective will be to seek sale to highest responsible bidder 	<ul style="list-style-type: none"> ▶ Because Public Sale requires a bid process, market value is assumed to be part of this process ▶ The establishment of minimal land use controls in the <i>Plan</i> may encourage more rapid, market-driven redevelopment, if so desired by the FMERA 	<ul style="list-style-type: none"> ▶ No parcels have been identified for Public Sale
CONVEYANCE METHOD	CONDITIONS	PLANNING CONSIDERATIONS	COMMENTS ON APPLICABILITY
CONSERVATION CONVEYANCE	<ul style="list-style-type: none"> ▶ Similar to a public benefit conveyance, but property must be used for conservation oriented purposes ▶ Management of property must involve state or local government, or non-profit conservation organization ▶ Property reverts to United States government if use ceases to be for conservation 	<ul style="list-style-type: none"> ▶ If conveyance is for no cost, market value is not an issue ▶ The community plan should still examine highest and best use since conservation conveyances can severely limit development potential of an otherwise economically viable site 	<ul style="list-style-type: none"> ▶ Conservation restrictions incumbent in this transfer mechanism prohibit its use at the Fort Monmouth site because the primary purpose to be achieved by the implementation of the <i>Plan</i> for the proposed EDC footprint is job creation

<p>ENVIRONMENTAL RESPONSIBILITIES TRANSFER / SALE</p>	<ul style="list-style-type: none"> ▶ Property is conveyed through two-step bid process ▶ The military requests a covenant deferral from the Governor ▶ After deferral is approved, military can enter into a binding purchase agreement 	<ul style="list-style-type: none"> ▶ Because this process requires a bid process, market value is assumed to be part of this process ▶ State will assume responsibility for oversight of remedial actions for contaminated sites ▶ The establishment of minimal land use controls in the reuse plan may encourage more rapid, market-driven redevelopment, if so desired by the FMERA ▶ Consideration should be given to acquiring additional environmental insurance to protect involved parties from future liability 	<ul style="list-style-type: none"> ▶ The primary purpose to be achieved by the implementation of the <i>Plan</i> for the EDC footprint is job creation, with Army maintaining financial responsibility for the environmental cleanup.
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3.9.2 Community Benefit of the EDC Conveyance

This section includes a brief overview of the background factors leading up to this request. The decision to pursue an Economic Development Conveyance mechanism for the property reflects the Guiding Principles adopted by the Fort Monmouth Economic Revitalization Planning Authority in 2006 at the outset of the reuse planning process, and which still remain as a guidepost for the redevelopment of Fort Monmouth by FMERA:

- The Reuse Plan will accommodate the needs and values of the community, the region and the State of New Jersey. Redevelopment of the base provides an opportunity to re-connect the base with the community, both geographically and economically;
- The Reuse Plan will have sufficient flexibility to accommodate both short-term (less than ten years) and long-term (ten to fifty years) needs and values;
- The Reuse Plan will consider “smart growth” strategies that promote sustainable development and balance economic development, environmental protection and the preservation or enhancement of the quality of life for residents;
- The Reuse Plan will make adequate provision for environmental clean-up and remediation, including a goal that base clean-up is to the standard necessary to support the proposed reuse of the land and facilities;
- The Reuse Plan will seek to develop local and regional economic and employment viability and sustainability similar to or better than the economic health of the region before the BRAC closure announcement. Development on the base should be integrated with the economic development of the towns, the region and the State of New Jersey;

- The Reuse Plan will attempt to optimize the use of existing facilities and infrastructure, including the integration of a multi-modal transportation system with designated land uses; and,
- The Reuse Plan will recognize and optimize the skills of the available civilian workforce at the Fort and throughout the region;

A number of these goals could not be accomplished to serve the successful and rapid redevelopment of the Fort if property were merely sold to individual developers.

Fort Monmouth was a large local employer with over 5000 people working on the Post. Given the magnitude of the direct job loss and the secondary job loss in the community, it is imperative that some of the greater goals of building community and social capital be preserved by allowing FMERA to manage the redevelopment of the Fort. The economic development plan for the Fort is designed to grow specific industry clusters that build on the strengths of the skills, capacity, and supply chains available in the region, thereby promoting critical mass to support these fledgling industry clusters on a national scale, to promote local job growth, and build on the skills of the local workforce.

An economic development conveyance of the property will allow FMERA to:

- Enhance the economic health and long-term viability region;
- Develop and protect a vibrant multi-prong economic development strategy to grow critical industry clusters in Monmouth County including, higher education, hotel and conference industry, composite and high tech manufacturing, alternative energy R & D, information and telecommunications industry;
- Create high-quality employment opportunities for citizens in the region;
- Create health and diverse housing opportunities in the new neighborhoods to be within the Post boundaries;
- Preserve and enhance the economic clusters and industries in the region;
- Provide needed affordable commercial sites for entrepreneurs and existing businesses in order to allow them to compete for a share of the nation's and world's increasingly competitive business environment; and
- Expand housing and economic opportunities for the region's homeless and needy residents through the funding the Homeless Assistance Trust Fund through the rapid and successful redevelopment of the Post.

The vast acreage of the EDC also provides the ability to create the perfect set-up and environment for clustering of industries. Developers of many business parks in rural America are less concerned about the types of jobs they attract than they are about simply getting the jobs. Based on the Reuse Master Plan, FMERA will have the space and the ability to create true industry clusters that benefit from the proximity of each other and the energy that is created as a result. Those clusters, in turn, will attract other similar industries because of the knowledge of the employee base and the mutual benefit derived from their proximity. While beneficial for all

industries, such care in recruitment and placement is not always exercised due to the size of smaller development parks.

Another critical value provided by FMERA's ownership and development of the EDC Parcel is that it is not seeking to make a profit in the process of development, to the detriment of the development. The redevelopment of the EDC Parcel will require substantial public investment, including demolition of existing buildings, replacement of all utilities including sewer, stormwater, potable water, electrical and telecommunications systems, and installation of new streets and public facilities. Key existing facilities and services that currently exist within the area designated for an EDC conveyance must be maintained or replaced. Total cost for the redevelopment is estimated at nearly \$269M. As a governmental agency created by the State of New Jersey, many of the roads, bridges, culverts and other public features can be built and maintained with the assistance of state and federal funds. FMERA's governmental agency status will also enable it to take advantage of significant grant opportunities that can dramatically improve the appeal of the location. Another critical aspect of the FMERA's ownership of the EDC Parcel is that it is led by a volunteer board of directors from the region – each with his/her own network of influence and contacts. Driven by the thousands of hours they have thus far given to the BRAC challenge, each is determined to work through the process of turning the property into vibrant new mixed-use neighborhoods in Tinton Falls, Eatontown and Oceanport. The value added because of that volunteer determination is the factor that will work towards making this redevelopment a success.

The EDC transfer authority reflects the most successful method historically used throughout the country by DOD in assisting with ultimate transfer of federal surplus property to local redevelopment authorities under BRAC. An EDC is the best available transfer mechanism to facilitate rapid and sustainable job creation and revitalization of Fort Monmouth.

An Economic Development Conveyance will provide the flexibility necessary to enable FMERA to implement an aggressive strategy for job creation on the EDC Parcel as set forth in this Application, for the following primary reasons:

- Success of the overall redevelopment of the Post is dependent upon coordinated control of the EDC Parcel. If parcels within the EDC Parcel are sold off piecemeal in a "fire sale" to the lowest bidders (without the oversight and management by FMERA), the vision of redevelopment and job creation cannot be achieved.
- If land within the EDC Parcel is sold off to low-end users who are successful in acquiring parcels through public sale, or other conveyance mechanisms, the potential to maximize quality development and high-paying jobs could be impacted; and without a controlled approach to redevelopment focused on high-quality, high-paying job opportunities (which the proposed industry cluster approach would allow), attracting similar users will be more difficult, particularly in the current, locally competitive economic environment.
- Integral components of FMERA's job creation strategy are to focus on particular industry clusters and the availability of workforce housing that will provide critical support and enhancements to its efforts to attract the types of users being targeted.
- Control of on-site utilities and other infrastructure investments within the EDC Parcel will help ensure the maintenance of infrastructure and just-in-time delivery of services to serve targeted employment

sectors as they become viable in the market place, which will support long-term development and maximize job creation.

- All federal disposition authorities available to the Army under BRAC were carefully analyzed; it was determined that the best authority to would allow FMERA to achieve its job creation goals for the site was an EDC.

In addition to the benefits that the EDC will bring to the community through the development of the property, the Phase 1 EDC property includes several properties that are expected to be conveyed to for community benefit to local and state government entities. The conveyances will be at no cost to the public via legally binding agreements and will not generate revenue for FMERA of the Army. Should any of these parcels be transferred for consideration, the Army will receive 63% of the net proceeds with the remaining 37% going to FMERA. The parcels to be conveyed for public benefit include the following:

Phase 1 No-cost Parcels

- A 6.7 acre parcel including Building 2290 to be conveyed to the Borough of Tinton Falls for use as a school for the Tinton Falls School District.
- A 6.5 acre parcel including Buildings 2569 and 2566 to be conveyed to Monmouth County. The teen center, pool, basketball court, picnic areas and surrounding areas will serve as a community asset for the residents of Monmouth County.

The properties conveyed to the community as public benefits will also serve to benefit the redevelopment as a whole. The properties will be active in the near future, bringing new workers to the community, providing customers to local merchants and bridging the gap until redevelopment of the Fort can take hold.

This EDC application will integrate the Army's surplus properties at Fort Monmouth that were identified in the 2005 BRAC process into the unique social and economic fabric of the region. The development of various commercial and residential activities within the EDC Parcel, along with the creation of open space and supporting educational and recreation facilities will provide for a significant job creation potential and the enhancement of the adjacent residential neighborhoods, making the former Army post a wonderful place to live, work, learn and play.

SECTION 4: FINANCIAL CONSIDERATION AND TERMS

4.1 Underlying Precepts of Financial Considerations and Terms

The Fort Monmouth Reuse Plan will serve as the basis for redevelopment of the property because it represents the combined efforts of the sponsor groups that were subsequently approved by federal agencies in accordance with BRAC rules. The Reuse Plan provides for revitalization of the base in a manner that maximizes job creation and minimizes environmental impacts. Furthermore the plan considers the availability of services and facilities in the three local communities and anticipates the fiscally responsible improvement of infrastructure and other capital assets required to support long-term and sustainable growth. While some modification of the plan is anticipated to occur during the entitlement and implementation process, the total uses of commercial floor space and residential dwelling units must generally be maintained by type in each of the sponsor communities pursuant to the Reuse Plan. It is recognized that parcelization and auction of individual lots or buildings would possibly modify the densities and land uses shown in the Reuse Plan, but such actions would represent segmentation of the approved plan to the detriment of economic benefit to FMERA and the Army over the 10-year EDC period and result in uneven and unsustainable development of the overall property. ***Consequently, Army and FMERA must jointly review and approve all offers for purchase of real property transferred by the Phase 1 EDC.*** This will enable Army and FMERA to avoid market saturation that would reduce property values and total proceeds of sales and leasehold income to the parties under the proposed revenue sharing concept. It will also avoid fragmented development patterns that would accelerate the need for infrastructure improvements and minimize the potential for "buy and hold" strategies whereby land is purchased at a significant discount and held out of economic production in a blighted condition until adjacent landowners invest in improvements required to make the market.

All redevelopment projects require significant improvements to make property merchantable. The Phase 1 EDC provides for the investment of an estimated \$32M in trunk infrastructure improvements while demolition of existing building is accounted for in the projected land values.. Existing infrastructure (road, utilities, and drainage facilities) will required improvement for dedication in public right-of-ways and easements. Because of the age of these facilities (dating back to the 1940's) and the layout of utilities (which does not follow planned right-of-way or future subdivision on military posts), re-development of the Fort will require the ultimate improvement of all infrastructure for dedication and acceptance by local governments and service providers consistent with prevailing subdivision regulations and service extension policies. The costs of improvements on redevelopment projects are higher because of the need to demolish or retrofit facilities in a piece-meal manner with the use of many interim or temporary measures. The value of the existing infrastructure is the potential for phased improvement of facilities using a just-in-time delivery approach. Phased approaches, however, will likely require the dedication of existing facilities together with execution of Development Agreements that require a master developer to pledge for the security and funding of all improvements.

The budgeting of improvements in the EDC is intended to demonstrate the full reinvestment of FMERA revenues into the redevelopment of the Fort in accordance with EDC regulations. It should be noted that Army funds are not being used to directly improve the property, however, the proceeds received from the sales of real property and associated revenue sharing agreements factor in the need for developers to directly pay (or factor in the payment for trunk public improvements at the site. A residual land analysis has been prepared (which discounts capital improvement costs from the finished price of real estate products) and the appropriate discounted sales price, collection of fees, and payment for trunk infrastructure and Phase

1 demolition costs are shown in the financial plan and pro-forma. The funding of improvements may be accomplished by a number of methods, including:

- **Assignment of the need to make demolition or infrastructure improvements to the purchaser of the property.** This approach would typically be the preferred approach for FMERA because it uses private sector financing and places the responsibility on a third-party. At this time, however, there are not site-wide infrastructure plans, public improvement plans, or inter-governmental service agreements that will enable a purchaser to determine the costs that will be assigned to upgrade trunk infrastructure. Upon completion of a site-wide public improvement plan, the location, size, and timing of improvements can be assigned to a parcel developer in a purchase agreement. ***Until such plans are prepared and approved by local communities, FMERA proposes the establishment of minimum bid prices or the final approval of any purchase offer to avoid "free-rider" problems whereby future properties are overly burdened with costs that would otherwise be allocated to the property.***
- **Use of Ad Valorem Taxes.** Assessment of additional taxes is always difficult, but they are especially burdensome on redevelopment projects where cost are higher, startup velocity is slow, and long development cycles result in higher than normal bonding costs. Bound by the Reuse Plan, FMERA is working to limit increases in taxes to adjacent communities and to avoid creating a tax surcharge that would make Monmouth more expensive to occupy thereby actually retarding the rate of redevelopment. As discussed in Section 3, the State of New Jersey has the potential to use State generated tax collections and is committing \$40M to build interchange modifications to the Garden State Parkway to enhance property values for both FMERA and the Army and help launch the redevelopment effort.

4.2 Summary of Deal Points and Memorandum of Understanding

The following section summarizes the Terms which were outlined in the letter from the Army to FMERA dated November 17, 2011 (Fort Monmouth EDC Deal Points). A copy of the letter is included in Appendix G.

Economic Development Conveyance - Phase 1 Property

The Phase 1 site will include the entire Charles Wood Area, including the Golf Course, Parcel C, Parcel C-1, Parcel E, Parcel F and Howard Commons Housing Area; and the Marina Parcel, the Clinic Parcel and Parcel B located at the Main Post. These properties will be conveyed to FMERA by way of a less than fair market value Economic Development Conveyance (EDC) in accordance with the BRAC statute.

FMERA will reinvest the proceeds from the sale or lease of the Phase 1 Property received during at least the first seven years to support economic redevelopment of, or related to the installation (within the 12 BRAC economic development categories) following the date of the last Settlement for the Phase 1 Property conveyed to the FMERA. The FMERA will submit an annual financial statement certified by an independent CPA. The Army may recoup any proceeds that are not used for economic development during at least the seven-year period following the date of the last Settlement for the first property conveyed to FMERA.

Phase 1 Property Consideration: Conditions to Transfer

- In consideration of a less-than fair market value EDC, the Army and FMERA agree to enter into a revenue share agreement consistent with the following consideration terms:
- FMERA will pay to the Army an amount equal to a 63% share of all gross sale revenues from the Phase 1 Property except for Parcels E, C (note: C-1 is 63% share to Army) and B.
- FMERA will pay to the Army an amount equal to a 60% share of all gross sale revenues from Parcel B, a 20 % share of all gross sale revenues from Parcel E and 80% of gross sale revenues from Parcel C.
- Payment will be due and payable to the Army at closing on each sale of Phase 1 Property by FMERA, except that any share payment of deferred (received after closing) property sale revenues will be due within 30 days after the close of each FMERA fiscal year accompanied by an audited FMERA financial statement.
- For a period of two years after the Initial Settlement of a Phase 1 parcel, FMERA will pay to the Army an annual amount equal to 20% of FMERA's annual gross lease revenues from all conveyed Phase 1 Property. After the first two years, FMERA will pay to the Army an annual amount equal to 63% of FMERA's annual gross lease revenues from all conveyed Phase 1 Property. Annual payment will be due and payable to the Army within 30 days after the close of each FMERA fiscal year accompanied by an audited FMERA financial statement.
- The Army may recoup any sale or lease revenue share not paid to the Army in accordance with the annual payment requirements. Upon request of the Army, the FMERA shall execute a Promissory Note and Mortgage to the Army to secure the revenue share obligation of FMERA.
- Consistent with the FMERA EDC application provisions, prior to conveyance of the Phase 1 Property, FMERA will develop a marketing plan, to include the selection of a commercial broker or master developer/broker with concurrence from the Army, to assist FMERA in the competition-based marketing, sale, and leasing of Fort Monmouth to third parties. The scope of services for the commercial broker or master developer/broker will be reviewed by the Army prior to conveyance.
- The sale of the Golf Course Parcel will include a deed restriction to limit development of the area currently operated as a Golf Course recreational facility for a period not to exceed seven (7) years following the date of the conveyance of the Golf Course Parcel to FMERA.
- FMERA will accept conveyance of each parcel within 30 days following Army delivery of deeds to FMERA in accordance with the following schedule:

<u>Parcel</u>	<u>Conveyance Date</u>
Parcel E, Clinic Parcel	June 15, 2012
Golf Course, Parcel C, Parcel C-1, Howard Commons, Marina Parcel	September 30, 2012
Parcel B, Parcel F	February 1, 2013

The above conveyance date for any particular parcel may be extended for a mutually agreed upon period of time, not to exceed 240 days.

With exception of parcels leased to the FMERA, the Army will continue to provide or fund caretaker services, other than police services, for the Phase 1 Property, until parcels of the Phase 1 Property are conveyed to FMERA.

The term "gross sale revenues" shall mean revenues from the sale of the Phase I Property to third parties by FMERA following the payment of a commercially reasonable and standard brokers' fee, not to exceed 6%, to the FMERA broker. The Parties also acknowledge that as a FMERA condition of the sale of the Phase 1 Property, the buyer will be required to make a separate payment into the FMERA Homeless Trust assessed to comply with homeless accommodation requirements under the approved Legally Binding Agreements between the FMERA and HUD approved homeless providers.

Interim Leasing with FMERA

All interim leases and sub-leases must be approved by the Army under its 10 USC 2667 lease authority. FMERA will be responsible for all caretaker costs related to all leased buildings/parcels.

In addition to the existing lease for the Golf Course, the Army will consider an interim lease with FMERA for any Charles Wood or Main Post building/parcel that is limited in scope as to not interfere with the timely conveyance of the property by the Army. The term of the interim lease will be for a period of two years, with two additional years at the Army's option or until such time as the buildings/parcels are conveyed by the Army. If FMERA sublets any buildings, facilities, or land tracts to a 3rd party lessee, the Army will receive 20% of Gross Lease Revenue and FMERA will receive 80% Gross Lease Revenues in Years 1-2. On the 3rd anniversary of commencement of the lease, FMERA will receive 37% of the Gross Lease Revenues and the Army will receive 63% of lease revenues in Years 3-20 or until such time as the property is sold.

The five parcels expected to be included in interim leasing are:

- McAfee Center
- Fitness Center
- Vail Hall
- Malette Hall
- Russell Hall

Environmental Services Cooperative Agreement (ESCA)

At the request of FMERA, the Army will consider an Environmental Services Cooperative Agreement (ESCA) for remediation at the Myers Center if the Army determines that this option is most appropriate and for additional environmental remediation and/or on-going monitoring that may be necessary at the former Fort Monmouth.

EDC Phase 2 Property

It is the Army's intent to collaborate with FMERA to seek appropriate conveyance mechanisms for Phase 2 Parcel to obtain best value for both Parties and create jobs in the community.