

Fort Monmouth Economic Revitalization Authority (FMERA)
Board Meeting
March 19, 2014
FMERA Office, Oceanport, New Jersey

EXECUTIVE SESSION MINUTES

Members of the Authority present:

- James V. Gorman, Chairman, Fort Monmouth Economic Revitalization Authority (FMERA) -V
- Tim Lizura, President & COO, New Jersey Economic Development Authority (NJEDA) – V
- Amy Herbold, Assistant Counsel, Office of the Governor, Authorities Unit – V
- Robert Ades, Public Member - V
- Gerald Tarantolo, Mayor of Eatontown - V
- Michael Mahon, Mayor of Oceanport - V
- Dr. Robert Lucky, Public Member – V
- Lillian Burry, Freeholder Director, Monmouth County - V
- Kenneth J. Kloo, Director of Division of Remediation Management, NJ Department of Environmental Protection
- Jonathan Lowy, Regional Manager, Government and Community Relations, NJTransit
- Gina Fischetti, Chief Counsel, Local Planning Services, NJ Department of Community Affairs
- Jeffrey Stoller, Assistant Commissioner, Office of Research and Information, NJ Department of Labor and Workforce Development

Members of the Authority not present:

- Gerald Turning, Mayor of Tinton Falls – V

V- Denotes Voting Member

Also present:

- Bruce Steadman, Executive Director, FMERA
- Gabriel Chacon, Deputy Attorney General (DAG)
- FMERA staff

Executive Session – OPMA EXEMPTION N.J.S.A 10:4-12b(5) and (7): Update on Real Estate and Contract Negotiations with the Army

Bruce Steadman, Executive Director of FMERA, began the Executive Session at 8:05 pm and provided an update on the March 6, 2014, meeting with Army representatives in Washington, D.C., in reference to the status of the Phase 2 Economic Development Conveyance (EDC) agreement. Mr. Steadman provided the following background:

1. Phase 2 EDC negotiations have been ongoing for 22 months, mainly due to the Army’s changing requirements.
2. Phase 2 comprises approximately 564 acres in Eatontown and Oceanport. The Army intended to sell this portion of the Fort on its own.

3. In April 2013, the Army advised it would not accept a revenue-sharing process such as the Phase 1 EDC for Phase 2. Army policy would require stipulated, guaranteed payments, with FMERA assuming all risk.
4. FMERA continued to offer a revenue-sharing process similar to Phase 1, with an improved floor price process, 50/50 sharing of proceeds and acceleration of several parcels to speed up closings. Army refused this, insisting on security and guaranteed payments.
5. The following three options were presented for disposition of the Phase 2 properties:
 - a. Proceed with the proposed (or negotiated) set of deal points based on revenue sharing between FMERA and the Army, similar to the Phase 1 EDC.
 - b. Net Present Value (NPV) buy-out of the Phase 2 property from the Army
 - c. Army sells the Phase 2 property on their own subject to FMERA Reuse Plan and Land Use Rules without FMERA.
6. At the March 6th meeting with the Army, FMERA staff determined the best option is FMERA's buyout of the Phase 2 property from the Army at a discounted price.
7. The Army offered several unworkable solutions for option number 5a (above), which required further discussion and negotiations. Army and FMERA staff agreed to a \$33 million price for the Phase 2 property (option number 5b above), as well as a stipulation that Army would agree to accept the highest scored proposal received for the Fabrication Shops (Pinebrook Road Commerce Center). The \$33 million NPV payment represents a 7.5% discount rate on the property.
8. Several key deal points were proposed, which will be formally reviewed and approved by the Board at a later date. The deal points will provide increased flexibility for the boroughs and county and speed up closing of several key properties in both Phase 1 and 2, while maintaining Army's responsibility for their environmental obligations post-closing.

Mr. Steadman laid out the next steps in the process, which include finalizing these deal points with the Army. He hopes the deal points will be available for review at the April Real Estate Committee and before the full Board at the April meeting.

Chairman Gorman stated that the Board would need to see evidence of the Authority's financing capabilities and plan for purchase of the Phase 2 property.

Mayor Tarantolo suggested that FMERA may be allowed to issue bonds as an independent state authority. Gabriel Chacon, Deputy Attorney General, advised that, per statute, FMERA cannot bond on its own but would need a conduit issuer.

David Nuse, FMERA staff, provided a review of the preliminary financial analysis prepared by FMERA for the Army negotiations. He suggested that FMERA staff preference is to pursue tax exempt bond financing through a conduit issuer. Chairman Gorman added that it is impossible to quantify the cost of the frequent delays caused by the Army. Mr. Nuse added that this mechanism allows FMERA to work more closely with small businesses.

Chairman Gorman asked the Board to express their appreciation to Mr. Steadman, Mr. Nuse and Mr. Rick Harrison for their work leading up to, and at, the March 6th Army meeting.

Mr. Steadman reviewed a map highlighting current activity on the Main Post, including current Requests for Offers to Purchase (RFOTPs) in various stages in the process. Mr. Steadman emphasized that future progress will be phased from the western edge of the Main Post to the east, in order to build on infrastructure improvements as they develop.

Dr. Robert Lucky, Public Member, asked if this new process for Phase 2 would allow FMERA to maintain the planned level of open space. Mr. Steadman stated that FMERA has retained the planning services of Phillips Preiss Grygiel (PPG) to review the open space inventory. The goal is to maintain the overall open space level but this may require some flexibility from parcel to parcel.

Dr. Lucky asked if this process will also make it easier to encourage a university presence on the Main Post. Mr. Steadman stated that the Army was primarily interested in revenue generation, and not necessarily on jobs or development in the public interest, which made a university project difficult for the Army to support. FMERA ownership of the Main Post allows for more flexibility, subject to the Authority's Sales Rules.

Chairman Gorman suggested that this new process will take time and that FMERA should maintain a backup plan in case Army negotiations are further stalled or changed. The Chairman suggested that FMERA's counsel include all legal protections possible in negotiated deal points. Mr. Gorman asked if other Army installations were going through a similar buyout process with the Army. Mr. Steadman confirmed that although similar buyouts are occurring across the country, and they include guaranteed payments, which FMERA did not support or agree to.

Mayor Mahon suggested that in a similar situation, a municipality would refer the issue specifically to a bond counsel. He asked if FMERA has retained its own bond counsel or if one would need to be retained. Mr. Chacon confirmed he will check on this issue and provide feedback.

Mayor Mahon also cautioned that the FMERA Board will scrutinize the final purchase price, as the Board and FMERA cannot guarantee revenues as sales proceed.

Rick Harrison, FMERA staff, added that the deal points negotiated with the Army will include additional items for the Army to complete before closing.

Tim Lizura, NJEDA, questioned the Army's ability to meet a closing deadline, as FMERA's financing plan will require adherence to a strict timeline. Mr. Steadman stated that the deal points would include trigger mechanisms to assure compliance.

Mayor Tarantolo asked if this process maintains FMERA's obligation to conform to the Reuse Plan. Dr. Lucky stated that the obligation is required by statute. Mr. Steadman confirmed that any changes to the Reuse Plan would continue to go through the Plan Amendment process.

Chairman Gorman asked if there is anything preventing the Army from still pursuing a sale to another buyer. Mr. Steadman stated that the Army has limited time and resources to pursue that, although it is possible. Mr. Lizura added that the Army would be required to go through the public bidding process and advertise the property.

Mayor Mahon asked if Cushman and Wakefield would continue their broker services for the Fort. Mr. Steadman responded that Cushman and Wakefield is required to fulfill its contract, and FMERA has

already factored all broker commissions into the financial analysis. He stated that Cushman has done good work for the Fort and should continue in the process.

Freeholder Directory Lillian Burry added that it is important that the environmental obligations of the Army be completed. Kenneth Kloo, NJ Department of Environmental Protection, added that he is interested to see whether the Army would continue to be motivated to advance environmental work and the DEP review process. Mr. Steadman added that if necessary, FMERA could explore the Environmental Services Cooperative Agreement (ESCA) process, which would involve FMERA managing the environmental remediation process for a fee, with Army retaining full liability.

Robert Ades, Public Member, asked if the costs for infrastructure improvements and demolition were factored in the financial analysis. Mr. Nuse confirmed that all revenue assumptions are net of costs.

On a motion by Lillian Burry, seconded by Robert Ades, and unanimously approved by all voting members present, the Board adjourned the Executive Session and opened the Public Session.

Certification:

The foregoing and any attachments represent a true and complete summary of the actions taken by the Fort Monmouth Economic Revitalization Authority at its meeting.



Bruce Steadman, Secretary