MEMORANDUM

To: Members of the Authority

From: Timothy Lizura
President and Chief Operating Officer

Date: June 13, 2017

RE: CHP Land, LLC
P 44080

Request

The Members are asked to approve the application of CHP Land, LLC (“CHP” or the “Applicant”) for a Real Estate Impact Fund Loan (“Impact Fund”) in the amount of $3,000,000.

Concurrent with this request, CHP is seeking approval of an Economic Redevelopment and Growth Grant (“ERG”) in the amount of $18.3 million (P44079).

Project Description

The site will be located at the waterfront in the City of Camden on approximately 19,110 square feet of vacant land. The applicant proposes to build an eight-story building that will be identified as the Hilton Garden Hotel. The Hotel’s main entrance sits on Cooper Street, bound by Riverside Drive and Caruso Place. The building facade will be a composite metal panel with varying finishes, and will include an aluminum/glass window wall system. The majority of the street level facade will incorporate the appearance of an aluminum/glass storefront and have durable finishes such as porcelain, ceramic tile, stone, and masonry. The hotel entrance will include a covered entrance and vestibule for guests. The hotel will be comprised of 180 rooms utilizing approximately 14,000 square feet located on floors two through eight. Within the 180 rooms, seven rooms will be built to comply with ADA requirements. The first floor will encompass 17,725 square feet inclusive of meeting spaces, sales offices, loading and storage, a small convenience shop, a bar and restaurant.

Adjacent to the hotel will be a parking garage that will dedicate 75 spaces exclusively to the hotel. In addition, there will be 15 spaces on the upper floors of the garage from 6 PM to 8 AM daily. Guests of the hotel will not be charged for parking.

CHP Land, LLC
June 13, 2017
The site will be conveyed to CHP from Liberty Property Trust by condominium ownership for a total purchase price of $3.57 million. This is an arm’s length transaction between both parties and the buyer and seller are acting in their own self-interest. The Applicant provided a purchase and sales agreement dated August 24, 2016. Exhibit “H” of the purchase and sales agreement confirms this transaction to be contingent on the award of the ERG request, a 20-year tax abatement, approval of the Camden Urban Enterprise Zone of the project site that will permit the project to be constructed with an exemption or rebate of all the sales tax on table items.

New employee wage compensation is projected at $2.3 million annually (average salaries are approximately $42,000). The project is also anticipated to generate more than $411,497 in annual local and State taxes.

**Project Ownership**

CHP is comprised of four separate entities:

- Ensemble Investments, LLC 10% (Kam Bamboff and Louise Cicalese).
- Keystone Hotel, LLC 30% (Connor Strong, 100% of this entity)
- Crimson Hotel, LLC 30% (NFI, 100% of this entity)
- Camden Michaels Hotel, LLC 30% (The Michaels Organization, 100% of this entity)

Keystone LLC, Crimson LLC, and Camden Michaels Hotel, LLC will solely act as the investors.

The below entities received a Grow award at the 3/24/17 board meeting for the new construction of a proposed office building that will consist of a seven-floor garage and 11 floors of office and amenity space, with 375,970 rentable square feet.

- Connor Strong, P# 43583: $86,239,720
- NFI, L.P., P# 43528: $79,377,980
- The Michaels Organization, LLC., P# 43584: $79,378,750

Ensemble Investments, headquartered in Long Beach, CA was founded by Kam Bamboff in August of 2015. Ensemble Investments will have an active participation in the development of this project. Ensemble has subcontracted Intech Construction based out of Philadelphia to act as the General Contractor and Cope Linder Architects, also based out of Philadelphia, to assume the role of the Architect. Mr. Bamboff acts as the CEO and has extensive experience in business development, project financing, managing investor relationships, negotiating debt financing, and reviewing overall business strategies. Mr. Bamboff has a long-standing history in acquiring, developing, and managing hospitality assets. Ensemble has fostered partnerships with hotel brands including Hilton, Marriott, and Hyatt. Ensemble’s current portfolio consists of seven hotels encompassing nearly 1,300 rooms, equating to hotel real estate value in excess of $375 million, respectively.

Mr. Cicalese will be responsible for the day to day operation of CHP coordinating the acquisition, financing, and construction of the project. Mr. Cicalese has over 40-years’ experience in Real Estate development. Ensemble will provide all technical support such as budget preparation, creating
financial models, and overseeing the construction activities taking place at the site. Mr. Cicalese has owned and managed acquisition in excess of $1.5 billion. Mr. Cicalese has developed several notable hotels, such as:

- Courtyard Marriott at the Navy Yard, Philadelphia PA
- Ramada Renaissance Hotel, Agoura Hills, California
- Holiday Inn, Bayview Plaza, Santa Monica California
- Hyatt Place Greensboro, Winston Salem, North Carolina

**Project Uses**

The Applicant proposes the following uses for the Project:

<table>
<thead>
<tr>
<th>Uses (thousands)</th>
<th>Total Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$3,575,000</td>
</tr>
<tr>
<td>Construction &amp; Site</td>
<td>$36,105,714</td>
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<tr>
<td>Professional Services</td>
<td>$6,249,225</td>
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<tr>
<td>Financing &amp; legal fees</td>
<td>$2,046,069</td>
</tr>
<tr>
<td>Contingency</td>
<td>$2,995,000</td>
</tr>
<tr>
<td>Developer Fee</td>
<td>$1,831,000</td>
</tr>
<tr>
<td><strong>TOTAL USES</strong></td>
<td><strong>$52,802,008</strong></td>
</tr>
</tbody>
</table>

**Project Sources**

The Applicant will be utilizing the following sources to complete the project:

<table>
<thead>
<tr>
<th>Sources of Financing</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Alliance Bank</td>
<td>$29,335,000</td>
</tr>
<tr>
<td>Real Estate Impact Fund</td>
<td>$3,000,000</td>
</tr>
<tr>
<td><strong>Equity:</strong></td>
<td></td>
</tr>
<tr>
<td>Applicant's Capital:</td>
<td>20,467,008</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$52,802,008</strong></td>
</tr>
</tbody>
</table>

Note that developer equity of $20.5 million above represents 39% of the project costs thereby satisfying the Impact Fund program requirement of at least 20% equity contribution and that owner equity must at least match the Impact Fund investment 1:1.

The Applicant received a letter of interest from Western Alliance Bank dated May 12, 2017 for a construction loan up to 24 months converting into permanent financing for a term of 60 months with payments based on a 25-year amortization. Western Alliance Bank will provide a loan amount not to exceed $32,335,000. The Applicant will pay interest-only during the entire construction loan phase and during the first 12 months of permanent financing.

The project gap is calculated based on the Equity Internal Rate of Return identified in the gap.
Collateral

<table>
<thead>
<tr>
<th>Description</th>
<th>Collateral Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Second lien on real property located at 1 Cooper Street, Camden NJ 08103.</td>
<td>$53,891,667</td>
</tr>
<tr>
<td>Subject to a first lien in the amount of $29.3 million with Western Alliance Bank. Value shown is minimum “as completed” appraisal required per bank approval.</td>
<td></td>
</tr>
<tr>
<td>LTV ($29,335,000 bank loan + $3,000,000 Impact Fund / $53,891,667 collateral value)</td>
<td>60%</td>
</tr>
</tbody>
</table>

Second lien assignment of rents and leases.

Recommendation

$3,000,000 loan from the Impact Fund loan is recommended.

Closing of the loan is contingent upon CHP meeting the following conditions regarding the Project:

1. Financing commitments for all Project funding sources are consistent with the information provided by the Applicant in its application to the Authority for the loan;
2. Evidence of site control and site plan approval for all properties within the Project;
3. Satisfactory review by NJEDA Real Estate department of project cost reasonableness.
4. Actual operating results to be reviewed by NJEDA Real Estate department on annual basis.

Timothy Lizura
President and Chief Operating Officer

Prepared by: Jenell Johnson
analysis, which will be discussed below. These returns are calculated with and without the Impact Fund and ERG cash flows.

**Gap Analysis**

EDA staff has reviewed the application to determine if there is a shortfall in the project development economics pertaining to the return on the investment for the developer and their ability to attract the required investment for this project. Staff analyzed the pro forma and projections of the project and compared the returns with and without the Impact Fund Loan over 10 years (one year to build and 10 years of cash flow).

| Return with no Erg or Impact | 2.15% |
| Return with ERG only         | 6.42% |
| Return with Impact only      | 1.17% |
| Return with ERG and Impact   | 5.44% |

As indicated in the chart above, the project would not otherwise be completed without the benefit of the Impact Fund Loan (and the ERG). **With the benefit of the Impact Fund (as well as the ERG), the Equity IRR is 5.44% which is below the Hurdle Rate Model provided by EDA’s contracted consultant Jones Lang LaSalle which indicates a maximum IRR of 14.61% for a retail project located in Camden**

**Real Estate Impact Fund Terms**

The interest rate of the loan will be 3%, with a beginning principal balance of $3,000,000, and loan term of 10 years. Interest will be made from 13% of the Project’s net cash flow, after payment of senior debt. This percentage is based on the $3,000,000 Impact Fund loan divided into the total equity contribution of 20,467,008 and the Impact Loan of $3,000,000 based upon the budget submitted (should the actual costs increase at time of CPA certification; the percentage of cash flow may be revised downward accordingly). In the event 13% of the net cash flow is insufficient to pay interest only, then unpaid interest shall accrue and be added the outstanding balance. In the event 13% of net cash flow is more than the current interest, then the payment shall first be applied to accrued interest, if any, and then to reduce outstanding principal. All unpaid or deferred interest payments and principal plus an additional payment for the NJEDA to earn an agreed upon effective rate shall be due and payable at the earlier of the end of the loan term or a liquidity event.

The Impact Fund will have 0% interest from the date of closing until project completion which is expected to be a period of 24 months.

The projected cash flow upon project stabilization shows that the project will be able to both pay the proposed annual interest obligation and reduce principal outstanding of the Fund loan as well as other obligations within the project’s capital structure. The principal outstanding of the Fund loan at the end of year 10 is projected to be $1,274,890 with a total payment of approximately $3,303,343 recouped by the EDA in order to achieve an effective rate of 7.48% over the 10-year term of the loan.
MEMORANDUM

To: Members of the Authority
From: Timothy Lizura
     President and Chief Operating Officer
Date: November 14, 2017
RE: Camden Hotel Partners, LLC
     Economic Redevelopment and Growth Grant Program
     P #44079

Purpose

The purpose of this memo is to request approval from the Members of the EDA Board to modify the following items of the June 13, 2017 approval of CHP, LLC’s application for assistance under the Economic Redevelopment and Growth Grant Program.

- Change in the applicant name and ownership.
- Change in the physical location of the project.

This memo will also provide for the Board’s awareness that (1) a $3 million loan from the Authority’s Real Estate Impact Fund Program approved on June 13, 2017 to partially finance project costs has been withdrawn due to the restrictions of secondary financing per the lender and (2) the project is no longer deemed to be located in a UEZ as the City of Camden’s UEZ designation expired on December 31, 2016.

Modify Applicant Name and Ownership

CHP, LLC was approved on June 13, 2017. The ownership structure of CHP was formerly comprised of:

- Ensemble Investments, LLC 10%
- Keystone Hotel, LLC 30% (Connor Strong, 100% owner of this entity)
- Crimson Hotel, LLC 30% (NFI, L.P., 100% owner of this entity)
- Camden Michaels Hotel, LLC 30% (The Michaels Organization, LLC, 100% owner of this entity)

Keystone Hotel LLC, Crimson Hotel LLC and Camden Michaels Hotel, LLC were solely acting as the investors in the prior approval.
The proposed Applicant, Camden Hotel Partners, LLC, is a single purpose entity that will be owned by six separate entities:

- Ensemble Hotel Partners, LLC 6.25% (Kam Babaoff 50% and Louis Cicales 50% owner of this entity).
- Molayem Family Trust 6.25% (Daryoosh Molayem, 100% owner of this entity).
- OSHAK, LLC -12.5% (Sam Hakakian, Omid Hakakian, Sahar Hakakian and Khosro Kay Hakakian each own 25% of this entity).
- Maxxam Enterprises II, LP (CA) -12.5% (Amazon Properties 1%, Century Trust 16.5%, Galaxy Trust 16.5%, Miketz Trust 16.5% Genesis Trust 16.5% and Lexington Trust 33%).
- KSLB Holding Company, LLC (DE)-25% (Kam Babaoff, 100% owner of this entity).
- Zarabi Family Trust (CA) 37.5% (Frank Zarabi 100% owner of this entity).

The two applicant entities that will be injecting the capital towards the project is KSLB Holding Company and Zarabi Family Trust. Both entities demonstrate the wherewithal and financial capacity to complete the project.

Change in Project Location

Subsequent to EDA Board approval, an 18-story building comprised of a parking garage of eight floors and ten stories of office space was proposed to be built directly in front of the hotel, which would place a negative impact on room views, in addition to the hotel’s projected performance. As documented in the third amended agreement of sale between Liberty Property Trust and Camden Hotel Partners, LLC, the location of the hotel has moved to a nearby site (within walking distance). The land costs have increased by $500,000 due to the premium location, as it now offers better views of the Delaware River and The City of Philadelphia.

Background

On June 13, 2017, the Members of the Authority approved the application of CHP, LLC for a project located in the City of Camden, Camden County for the issuance of tax credits pursuant to the ERG program set forth in the New Jersey Economic Opportunity Act of 2013, P.L. 2013, c. 161 (“Act”).

The total costs of the Project in respect to this modification request are estimated to be $55,584,000 and of this amount, $50,421,000 are eligible costs under the ERG program. However, per the original approval, the ERG eligible costs were $49,420,453, therefore, the original award of $18,352,709 will remain the same despite the increase in the revised budget.

Note that in the original approval, the Applicant was eligible for a bonus of an additional 20% (for a total award of 40%) as they met the criteria of the project being in a Garden State Growth Zone (“GSGZ”). However, the maximum award this project received which complies with the 110% net benefit to the State test is the lesser of $18,352,709 or 40% of actual eligible costs.
Project Description

Sources and Uses from Original Approval:

<table>
<thead>
<tr>
<th>Uses (thousands)</th>
<th>Total Amount</th>
<th>ERG Eligible Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$ 3,575,000</td>
<td>$ 3,575,000</td>
</tr>
<tr>
<td>Construction &amp; Site</td>
<td>$ 36,105,714</td>
<td>$ 35,110,158</td>
</tr>
<tr>
<td>Professional Services</td>
<td>$ 6,249,225</td>
<td>$ 6,249,225</td>
</tr>
<tr>
<td>Financing &amp; legal fees</td>
<td>$ 2,046,069</td>
<td>$ 1,491,070</td>
</tr>
<tr>
<td>Contingency</td>
<td>$ 2,995,000</td>
<td>$ 2,995,000</td>
</tr>
<tr>
<td>Developer Fee</td>
<td>$ 1,831,000</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL USES</strong></td>
<td><strong>$ 52,802,008</strong></td>
<td><strong>$ 49,420,453</strong></td>
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Sources of Financing

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<th>Amount</th>
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<tbody>
<tr>
<td>Lender</td>
<td>$ 29,335,000</td>
</tr>
<tr>
<td>Real Estate Impact Fund</td>
<td>$ 3,000,000</td>
</tr>
</tbody>
</table>

**Equity:**

- Applicant’s Capital: $ 20,467,008
- **Total** $ 52,802,008

Current Sources and Uses

<table>
<thead>
<tr>
<th>Uses (thousands)</th>
<th>Total Amount</th>
<th>ERG Eligible Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$ 4,040,000</td>
<td>$ 4,040,000</td>
</tr>
<tr>
<td>Construction &amp; Site</td>
<td>$ 37,767,000</td>
<td>$ 37,767,000</td>
</tr>
<tr>
<td>Professional Services</td>
<td>$ 3,896,000</td>
<td>$ 3,251,000</td>
</tr>
<tr>
<td>Financing &amp; legal fees</td>
<td>$ 1,826,000</td>
<td>$ 1,376,000</td>
</tr>
<tr>
<td>Lender’s Reserve</td>
<td>$ 2,675,000</td>
<td>$ 0</td>
</tr>
<tr>
<td>Contingency</td>
<td>$ 3,987,000</td>
<td>$ 3,987,000</td>
</tr>
<tr>
<td>Developer Fee</td>
<td>$ 1,393,000</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL USES</strong></td>
<td><strong>$ 55,584,000</strong></td>
<td><strong>$ 50,421,000</strong></td>
</tr>
</tbody>
</table>

**Sources of Financing**

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lender</td>
<td>$ 36,129,807</td>
</tr>
</tbody>
</table>

**Equity:**

- Applicant’s Capital: $ 19,454,193
- **Total** $ 55,584,000

The above sources and uses represent the budget that was previously approved in comparison to the refined budget that reflects an increase in the cost of the land, inflation in the contingencies, along with an increase in the financing fees. The ERG ineligible costs of $5,163,000 include: an interest escrow reserve required by the lender ($2,675,000) franchise application fee, ($87,000) development fee, ($1,393,000) pre-opening fee, ($487,000) and owners reserve ($521,000). Although the project costs have increased, the Applicant is aware that the maximum award this project may receive which complies with the 110% net benefit to the State test is the lesser of $18,352,709 or 40% of actual eligible costs. Soft costs remain under 20%.
The site will be located at the waterfront in the City of Camden on approximately 19,110 square feet of vacant land. The applicant proposes to build an eight-story building that will be identified as the Hilton Garden Hotel. The building facade will be a composite metal panel with varying finishes, and will include an aluminum/glass window wall system. Most of the street level façade will incorporate the appearance of an aluminum/glass storefront and have durable finishes such as porcelain, ceramic tile, stone, and masonry. The hotel entrance will include a covered entrance and vestibule for guests. The hotel will be comprised of 180 rooms utilizing approximately 14,000 square feet located on floors two through eight. Within the 180 rooms, seven rooms will be built to comply with ADA requirements. The relocation of this hotel will now offer 65% of the rooms providing views along the Delaware River and the City of Philadelphia. Although the hotel has moved to a superior location, the rates for the room will not increase. The first floor will encompass 17,725 square feet inclusive of meeting spaces, sales offices, loading and storage, a small convenience shop, a bar and restaurant. The restaurant will be comprised of 3,670 square feet located on the opposite side of the hotel facing the Delaware River to provide guests with a better dining experience. Parking arrangements are being negotiated with Liberty Property Trust and the City of Camden, however, surface parking will be available to the employees and guests of the hotel in excess of 75 parking spaces. The Applicant intends to provide free parking.

The Applicant provided an amended purchase and sales agreement dated October 2, 2017. The site will be conveyed to Camden Hotel Partners, LLC from Liberty Property Trust by condominium ownership for a total purchase price of $4 million. This is an arm’s length transaction between both parties and the buyer and seller are acting in their own self-interest. The purchase and sales agreement confirms this transaction is contingent on the award of the ERG request and a 20-year tax abatement.

The Project is estimated to start construction in September of 2018, with an anticipated completion date of March 18, 2020. The Applicant is aware that prevailing wage rates will be paid during term of construction.

Although the Applicant entity has changed, Mr. Babaoff and Mr. Cicalese will assume the same role as the prior approval.

Mr. Babaoff has extensive experience in business development, project financing, managing investor relationships, negotiating debt financing, and reviewing overall business strategies. Mr. Babaoff has a long-standing history in acquiring, developing, and managing hospitality assets. Mr. Babaoff’s company, Ensemble Investments has fostered partnerships with hotel brands including Hilton, Marriott, and Hyatt. Ensemble’s current portfolio consists of seven hotels encompassing nearly 1,300 rooms, equating to hotel real estate value in excess of $375 million, respectively.

Mr. Cicalese will be responsible for the day to day operation of Camden Hotel Partners, coordinating the acquisition, financing, and construction of the project. Mr. Cicalese has over 40-years’ experience in Real Estate development. Ensemble will provide all technical support such as budget preparation, creating financial models, and overseeing the construction activities taking place at the site. Mr. Cicalese has owned and managed acquisition in excess of $1.5 billion. Mr. Cicalese has developed several notable hotels, such as:

- Courtyard Marriott at the Navy Yard, Philadelphia PA
- Ramada Renaissance Hotel, Agoura Hills, California
- Holiday Inn, Bayview Plaza, Santa Monica California
- Hyatt Place Greensboro, Winston Salem, North Carolina
The architect and General Contractor has not changed from the prior approval.

The Applicant received site plan approval in the fall of 2016, in addition, a Waterfront Development Permit from the NJ Department of Environmental Protection was granted on June 30, 2016.

The Applicant estimates 55 permanent jobs will be created as a result of this project and 240 construction jobs.

The Applicant may pursue a local municipal ERG after approval of this modification.

**Gap Analysis**

EDA staff has reviewed the application to determine if there is a shortfall in the project development economics pertaining to the return on the investment for the developer and their ability to attract the required investment for this Project. Staff analyzed the pro forma and projections of the project and compared the returns with and without the ERG over 12 years. The Applicant will utilize a 24-month timeframe to build the project and assumes a 10-year cash flow.

**Original Gap Analysis**

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<thead>
<tr>
<th>Return with no incentive</th>
<th>2.15%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return with ERG</td>
<td>6.42%</td>
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**Revised Gap Analysis**

<table>
<thead>
<tr>
<th>Return with no incentive</th>
<th>1.67%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return with ERG</td>
<td>5.72%</td>
</tr>
</tbody>
</table>

As indicated in the chart above, the project would not otherwise be completed without the benefit of the ERG. *With the benefit of the ERG, the Equity IRR is 5.72% which is below the Hurdle Rate Model provided by EDA’s contracted consultant Jones Lang LaSalle which indicates a maximum IRR of 14.61% for a hotel (lodging and entertainment) located in the City of Camden.*

**Net Positive Benefit Analysis:**

The ERG award to CHP is equal to lesser of (1) 40% of eligible costs or (2) an amount that results in the projects present value of the net benefit to the State to be a minimum 110% of the award. The Project's gross present value of the benefit to the State totals $20.1 million and represents 110% of the proposed $18.3 million award. As such, the award complies with this program.

All other aspects of this project as described in the original board approval remain the same.
Recommendation

Authority staff has reviewed the proposed modifications and finds that it is consistent with eligibility requirements of the Act. It is recommended that the Members approve and authorize the Authority to modify the Applicant name, ownership, and physical location of project.

Timothy Lizura

Prepared by: Jenell Johnson Baker