



MEMORANDUM

TO: Members of the Authority

FROM: Timothy J. Lizura
President/Chief Operating Officer

SUBJECT: New Jersey Economic Development Authority (the "Authority")
State Lease Revenue Bonds (State Government Buildings), Series 2017
(P44806)

DATE: December 12, 2017

SUMMARY OF PROPOSED FINANCING

The Authority is being asked to approve the issuance of one or more series of State Lease Revenue Bonds (State Government Buildings), Series 2017 (the "2017 Series Bonds") and various related actions described below in an aggregate principal amount not exceeding \$215,000,000 with respect to the Series A Bonds (as defined below), \$25,000,000 with respect to the Series B Bonds (as defined below), and \$175,000,000 with respect to the Series C Bonds (as defined below), subject, in each case, to adjustment as described in paragraph (g) under APPROVAL REQUEST. The proceeds of the 2017 Series Bonds will be used to: (i) pay the costs of the Health Department Office Project, the Taxation Division Office Project and the Juvenile Justice Commission Facilities Project or Projects (as each such project is described herein); (ii) pay capitalized interest on the 2017 Series Bonds through June 15, 2018; and (iii) pay costs of issuance of the 2017 Series Bonds.

BACKGROUND

Health Department Office Project, the Taxation Division Office Project:

Pursuant to a Memorandum of Understanding dated July 22, 2014, the Division of Property Management and Construction (the "DPMC") within the Department of the Treasury of the State of New Jersey (the "Department of the Treasury") engaged the Authority to complete a feasibility study (the "Study") regarding the Health/Agriculture Departments office building and the Taxation Division office building in the City of Trenton, which Study considered the alternatives of new construction of replacement buildings, rehabilitation of existing buildings, and/or leasing new space in the open market, and concluded that the best alternative would be to (a) replace the existing Health/Agriculture Departments office building with a new office building for the Health Department, relocate the Agriculture Department offices, and demolish the existing Health/Agriculture Departments office building (the "Health Department Office Project"), and (b) replace the existing Taxation Division office building with a new building and either demolish, rehabilitate at a later date, or sell the existing Taxation Division office building (the "Taxation Division Office Project" and collectively with the Health Department Office Project, the "Health Department and Taxation Division Projects").

Pursuant to subsequent Memoranda of Understanding dated October 7, 2016, as amended, among the Department of the Treasury, the DPMC and the Authority (the "MOUs"), the Authority and the DPMC agreed to undertake certain predevelopment work and responsibilities with respect to the Health Department and Taxation Division Projects and the Authority agreed to finance certain

predevelopment services costs of the Health Department and Taxation Division Projects as set forth in the MOUs.

The DPMC has decided to proceed with the final design and specifications and construction of the Health Department and Taxation Division Projects and has requested the Authority to authorize and issue one or more series of tax-exempt or taxable bonds to be secured pursuant to lease/sublease arrangements with the State, in an aggregate principal amount sufficient to finance, *inter alia*, the costs of the Health Department and Taxation Division Projects.

Juvenile Justice Commission Facilities Project

The largest facility of the Juvenile Justice Commission (the "JVC") is the New Jersey Training School (the "Training School"), located in Monroe Township, New Jersey. The Training School is a secure facility with the capability of housing approximately 200 male juveniles. It was opened in 1867 as a home for troubled youth. The Training School campus has seven (7) cottages that serve as housing units, a full service school, a vocational building, recreational facilities, a medical facility and administrative offices. However, due to its location, antiquated infrastructure and functionality, the JJC is in need of new facilities that meet the needs of juveniles housed at the facilities, provide an environment for modern, best practices in juvenile justice administration, and facilitates the implementation of state-of-the-art rehabilitation practices to provide the opportunities needed by these young offenders in order to become independent, productive law abiding citizens.

To accomplish this goal, the JJC has identified three (3) sites throughout the State to build new modern, facilities to replace the Training School (the "Juvenile Justice Commission Facilities Project" and, together with the Health Department Office Project and the Taxation Division Office Project, the "Initial Projects"). The sites, in Woodbridge Township, Middlesex County, Ewing Township, Mercer County and Winslow Township, Camden County provide the needed geographic distribution of facilities with access to mass transit. The JJC has consulted with DPMC on site selection and estimates of construction costs for the three (3) new facilities.

Given the critical need for the three (3) new JJC facilities, the DPMC has decided to proceed with the construction of the Juvenile Justice Commission Facilities Project and has requested the Authority to authorize and issue one or more series of tax-exempt or taxable bonds to be secured pursuant to lease/sublease arrangements with the State, in an aggregate principal amount sufficient to finance, *inter alia*, the costs of the Juvenile Justice Commission Facilities Project.

Approvals Required

The issuance of 2017 Series Bonds to finance any Initial Project is subject to (i) the approval of the State House Commission with respect to the applicable Lease(s) for such Initial Project (the "SHC Approval"), and (ii) the approval of the State Leasing and Space Utilization Committee with respect to the applicable Sublease(s) for such Initial Project (the "SLSUC Approval" and together with the SHC Approval, the "State Approvals"). Failure to receive the State Approvals for any Initial Project shall not preclude the issuance of 2017 Series Bonds to finance any Initial Project that has received the State Approvals.

The SHC Approvals for all of the Initial Projects were granted at a meeting of the State House Commission held on December 7, 2017.

PLAN OF FINANCE

It is presently anticipated that the 2017 Series Bonds will be issued in three (3) series as follows:

- Not exceeding \$215,000,000 State Lease Revenue Bonds (State Government Buildings – Health Department and Taxation Division Office Project), 2017 Series A (the “Series A Bonds”);*
- Not exceeding \$25,000,000 State Lease Revenue Bonds (State Government Buildings – Health Department and Taxation Division Office & Juvenile Justice Commission Facilities Projects), 2017 Series B (Federally Taxable) (the “Series B Bonds”);* and
- Not exceeding \$175,000,000 State Lease Revenue Bonds (Juvenile Justice Commission Facilities Project), 2017 Series C (the “Series C Bonds”).*

The projects to be financed with the proceeds of the 2017 Series Bonds include the Health Department Office Project, the Taxation Division Office Project and the Juvenile Justice Commission Facilities Project or Projects. In connection with the issuance of the 2017 Series Bonds: (i) the DPMC will lease the land and improvements thereon (the “Leased Premises”) relating to each Project to the Authority pursuant to a lease with respect to such Project (each, a “Lease” and collectively, the “Leases”); and (ii) the Authority will sublease the Leased Premises relating to each such Project to DPMC pursuant to a sublease with respect to such Project (each, a “Sublease” and collectively, the “Subleases.”

The Authority shall assign all of its rights to receive basic rent (“Basic Rent”) payable under the Subleases to the trustee for the 2017 Series Bonds to be applied to pay the principal or redemption price of, and interest on, the applicable series of the 2017 Series Bonds. The 2017 Series Bonds will be payable from and secured by the Basic Rent payments payable under the Subleases, subject to annual appropriation by the State Legislature for this purpose.

APPROVAL REQUEST

The Members are requested to approve the adoption of the State Lease Revenue Bond Resolution (State Government Buildings) (the “Bond Resolution”) and the First Supplemental State Lease Revenue Bond Resolution (State Government Buildings) (the “First Supplemental Resolution” and collectively with the Bond Resolution, the “Resolution”) authorizing the issuance of one or more series of the 2017 Series Bonds in and aggregate principal amount not to exceed \$215,000,000 with respect to the Series A Bonds, \$25,000,000 with respect to the Series B Bonds and \$175,000,000 with respect to the Series C Bonds, subject, in each case, to adjustment as described in paragraph (g) under APPROVAL REQUEST.

The 2017 Series Bonds are expected to be issued as fixed rate tax exempt and federally taxable bonds, all as determined by an Authorized Authority Representative (as defined in the Bond Resolution), in consultation with the State Treasurer, the Office of Public Finance, the Attorney General's Office and Bond Counsel, subject to the following parameters:

1. The final maturity of the 2017 Series Bonds will not exceed thirty (30) years from the date of issuance;

* Subject to adjustment as described in paragraph (g) under APPROVAL REQUEST.

2. The true interest cost of the 2017 Series Bonds issued as tax-exempt Bonds will not exceed 7.0%;
3. The true interest cost of the 2017 Series Bonds issued as taxable Bonds will not exceed 9.0%;
4. The redemption price of the 2017 Series Bonds issued on a tax-exempt basis will not exceed 103% of the principal amount of such 2017 Series Bonds if and when redeemed;
5. The redemption price of the 2017 Series Bonds issued on a taxable basis will not exceed 103% of the principal amount of such 2017 Series Bonds if and when redeemed; provided, however, that the redemption price of any 2017 Series Bonds issued on a taxable basis subject to optional redemption by the Authority pursuant to a "make-whole" provision may exceed 103% of the principal amount of such 2017 Series Bonds if so determined by an Authorized Authority Representative in a Series Certificate to be entered into in connection with the issuance of the 2017 Series Bonds.

The Authority is also being asked to approve certain actions of, and delegation of actions to, an Authorized Authority Representative with information provided by the Treasurer, Bond Counsel, and the Attorney General and in consultation with, the Office of Public Finance, Bond Counsel and the Attorney General's Office, as applicable, and as approved by the Treasurer, which actions are more fully set forth in the Resolution, which is incorporated herein by reference, and will be memorialized in one or more Series Certificates, and may include, without limitation:

- a. To approve the forms of, and to execute and deliver, the Leases and the Subleases, substantially in the forms submitted to this meeting with such changes, insertions and omissions as shall be required for each respective Initial Project and approved by an Authorized Authority Representative, with the advice of the State Attorney General and Bond Counsel;
- b. To determine whether the Series 2017 Bonds shall be issued in one or more Series or consolidated with any other Series of the Series 2017 Bonds into a single Series of Bonds for purposes of issuance and sale;
- c. To sell the Series 2017 Bonds on one or more dates;
- d. To determine, subject to the provisions of the First Supplemental Resolution, the respective principal amounts, interest rate or rates, dated dates, interest payment dates, maturity dates, redemption prices and other redemption provisions and authorized denominations (not exceeding the aggregate principal amount of each maturity) of the Series 2017 Bonds or each Series thereof and any other provisions necessary to comply with the Resolution or deemed necessary or advisable by such Authorized Authority Representative which are not in conflict with or in substitution for the provisions of the Resolution, provided, however, that the aggregate principal amount, true interest cost, final maturity date and redemption prices of the Series 2017 Bonds shall not exceed the applicable limitations set forth in Section 201 of the First Supplemental Resolution;
- e. To execute one or more final Official Statements of the Authority, substantially in the form(s) of the Preliminary Official Statement(s), with such insertions, revisions and omissions as may be authorized by the Authorized Authority Representative executing the same, with the advice of Bond Counsel, to deliver the final Official Statement(s) to

the underwriters and to authorize the use of the final Official Statement(s) and the information contained therein in connection with the offering and sale of the 2017 Series Bonds, provided that Appendix I to the Official Statement(s) shall be provided by the State;

- f. To determine whether each Series of the 2017 Series Bonds shall be issued as tax-exempt or federally taxable Bonds;
- g. To cause the Series B Bonds to be issued in a principal amount that exceeds the maximum principal amount thereof set forth in Section 201 of the First Supplemental Resolution (\$25,000,000) if, on the advice of bond counsel, such action is necessary or advisable in order to comply with applicable federal tax law, provided that the maximum aggregate principal amount of the Series 2017 Bonds shall not exceed \$415,000,000.
- h. To determine the application of the proceeds of the 2017 Series Bonds for the purposes stated in Section 202 of the First Supplemental Resolution;
- i. To take such actions as shall be necessary to qualify any or all of the Series 2017 Bonds as "green bonds" if an Authorized Authority Representative, in consultation with the Treasurer, determines that such designation is desirable in connection with the offering and sale of such Series 2017 Bonds and to take such actions and to deliver such documents as shall be necessary to maintain such designation;
- j. To purchase one or more municipal bond insurance policies with respect to any or all of the maturities of the 2017 Series Bonds if an Authorized Authority Representative determines that such policy(ies) of municipal bond insurance is necessary or desirable, to include in the Series Certificate such provisions relating to the insurance policy(ies) as such Authorized Authority Representative, with the advice of Bond Counsel, deems appropriate and to include on the form of any 2017 Series Bond which is insured by a municipal bond insurance policy a statement of insurance in the form requested by the issuer of such municipal bond insurance policy;
- k. To approve the forms of, and to execute and deliver, the Continuing Disclosure Agreement by and among the Authority, the Treasurer and the Trustee, as dissemination agent, relating to the 2017 Series Bonds (the "Continuing Disclosure Agreement") substantially in the form submitted to this meeting with such changes, insertions and omissions as shall be approved by an Authorized Authority Representative, with the advice of the State Attorney General and Bond Counsel;
- l. To execute, deliver and perform the Series Certificate;
- m. To negotiate, execute, deliver and perform the Bond Purchase Contract(s) by and between the Authority and the Manager (as defined below) substantially in the form submitted to this meeting with such changes, insertions and omissions as shall be approved by an Authorized Authority Representative, with the advice of the State Attorney General and Bond Counsel; and
- n. To authorize the electronic posting of the Official Statement on the State's website, upon the request of the Treasurer or his designee;

- o. To select and appoint any additional co-senior manager(s), co-manager(s) and/or underwriter(s) of the 2017 Series Bonds, upon recommendation of the Treasurer based upon the Treasury's competitive RFP process, such appointment(s) to be evidenced by the execution of the Bond Purchase Contract, as defined below; and
- p. To select and appoint a firm to serve as Trustee based on Treasury's competitive RFP process.

In exercising the Authority's discretion to approve specific transactions authorized under the Resolution, it is anticipated that the Authorized Authority Representatives will make decisions on behalf of the Authority in consultation with the Treasurer. The Board will be updated upon completion of the transaction.

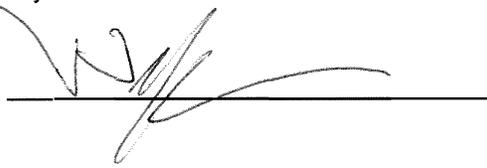
Subchapter 6.7 (Fee Waiver) of the Authority's rules permits the Chief Executive Officer, with the approval of the Members to waive, postpone or decrease the Authority's closing fees for State agency projects. In the absence of Board action, the Authority's statutory bond closing fee will apply. It is recommended the bond closing fee for this transaction be reduced to one-half of the statutory bond closing fee.

Professionals for the transaction were selected in compliance with EO 26. Chiesa Shahinian & Giantomasi PC was selected as Bond Counsel through a competitive RFP process performed by the Attorney General's Office on behalf of Treasury for State appropriation-backed transactions. Through Treasury's competitive RFP process, RBC Capital Markets was chosen as senior managing underwriter (the "Manager"). The Resolution will also authorize Authority staff to take all necessary actions incidental to the issuance of the 2017 Series Bonds, including without limitation, the selection of additional professionals, if any, pursuant to a competitive process utilizing Treasury's RFP process in accordance with EO 26 and EO 37.

RECOMMENDATION

Based upon the above description, and subject to the criteria set forth above, the Authority is requested to: (i) approve the adoption of the Bond Resolution and the First Supplemental Resolution authorizing the issuance of the 2017 Series Bonds in an aggregate principal amount not exceeding \$215,000,000 with respect to the Series A Bonds, \$25,000,000 with respect to the Series B Bonds, and \$175,000,000 with respect to the Series C Bonds, subject, in each case, to adjustment as described in paragraph (g) under APPROVAL REQUEST, as well as other matters in connection with the issuance and sale thereof and otherwise as described above; (ii) approve the several actions and delegation of actions to an Authorized Authority Representative as may be necessary or advisable in order to issue the 2017 Series Bonds and to undertake the other transactions described in (i) above on terms which are in the best interest of the State; (iii) authorize the use of the aforementioned professionals; (iv) approve the reduction of the Authority's bond closing fee to one-half of the statutory bond closing fee; and (v) authorize Authority staff to take all necessary actions incidental to the issuance of the 2017 Series Bonds; subject to final review and approval of all terms and documentation by Bond Counsel and the ~~Attorney General's Office.~~

Prepared by: Teresa Wells

A handwritten signature in black ink, appearing to be 'Teresa Wells', is written over a horizontal line.