

Board Meeting

Thursday, December 14, 2017

10:00 a.m.



**AGENDA
REGULAR SESSION**

Thursday, December 14, 2017 - 10:00 a.m.
Two DeKorte Park Plaza, Lyndhurst, NJ

I. **APPROVAL OF MINUTES** - (Action)

- Approval of Regular Session Meeting Minutes of November 16, 2017.

II. **PUBLIC PARTICIPATION ON RESOLUTIONS**

III. **APPROVALS** – (Action)

Cash Disbursements Approval and/or Ratification of Cash Disbursements over \$100,000 for November 2017.

Resolution 2017-36 Consideration of a Resolution Accepting the 2016 Audit Report

Resolution 2017-37 Consideration of a Resolution Authorizing NJSEA Staff to Investigate the Redevelopment Potential of Properties within Block 480 and Block 463 in the Borough of North Bergen (File No. SP-751).

Resolution 2017-38 Consideration of a Resolution Authorizing the Publication of a Notice of Adoption for the Rezoning of Block 451, Lot 19.01 and 20.01, in the Borough of North Bergen (File No. SP-742).

Resolution 2017-39 Consideration of a Resolution Authorizing the Publication of a Notice of Adoption for the Rezoning of Block 451, Lot 14.01, in the Borough of Ridgefield, New Jersey (File SP-No. 746)

Resolution 2017-40 Consideration of a Resolution Issuing a Decision on the Variance Application Submitted as part of File No. 17-097 Hartz/Bergen Ave. – Major Subdivision, Block 286, Lot 4, in the Town of Kearny.

IV. **AWARDS/CONTRACTS** (Action)

Resolution 2017-41 Consideration of a Resolution Authorizing the Placement of Property, Liability, Automobile, Inland Marine, Excess Liability, Crime, Fiduciary, Public Officials Liability and Site Pollution Insurance.

Resolution 2017-42 Consideration of a Resolution Authorizing the Award of a Contract for Audit Services. **(RESOLUTION TABLED)**

V. **PUBLIC PARTICIPATION**

VI. **EXECUTIVE SESSION**

Resolution 2017-43 Consideration of a Resolution authorizing the New Jersey Sports and Exposition Authority to conduct a meeting, to which the general public shall not be admitted for the purposes of discussing legal matters, personnel matters and contract negotiations.

- Renewal of the Account Wagering Services Agreement

VII. **PUBLIC PARTICIPATION ON RESOLUTION**

VIII. **AWARDS/CONTRACTS** (Action)

Resolution 2017-44 Consideration of a Resolution Authorizing Renewal of the Account Wagering Services Agreement.

IX. **MOTION TO ADJOURN**

MINUTES



REGULAR SESSION BOARD MEETING

DATE: November 16, 2017
TIME: 10:00 a.m.
PLACE: 2 DeKorte Park Plaza - Lyndhurst, NJ
RE: **REGULAR SESSION MEETING MINUTES**

Members in Attendance:

Michael Ferguson, Chairman
Joseph Buckelew, Vice Chairman
Wayne Hasenbalg, Esq., President and Chief Executive Officer
John Ballantyne, Member (via phone)
Armando Fontoura, Member (via phone)
Michael H. Gluck, Esq., Member
George Kolber, Member (via phone)
Shannon McManus, NJ State Treasurer's Representative
Steven Plofker, Member
Andrew Scala, Member
Anthony Scardino, Member
Robert Yudin, Member

Absent:

Michael Gonnelli, Member
LeRoy Jones, Member

Also Attending:

Christine Sanz, Sr. Vice President/Chief Operating Officer
Adam Levy, Vice President of Legal & Regulatory Affairs
John Yarenis, Director of Finance/CFO
Sara Sundell, Director of Land Use Management and Chief Engineer
Nicholas Kant, Assistant Counsel, Governor's Authorities Unit
Christine Ferrante, Executive Assistant/Paralegal

Chairman Ferguson called the meeting to order.

Chairman Ferguson stated that the New Jersey Sports and Exposition Authority gave notice of the time, place, and date of this meeting by providing such notice to the Secretary of State for the State of New Jersey, The Star-Ledger, The Record, and other newspapers and by posting the notice at the offices of the Authority.

I. APPROVAL OF MINUTES

Chairman Ferguson presented the minutes of the Regular Session Board Meeting held on October 19, 2017.

Upon motion made by Commissioner Scardino and seconded by Commissioner Yudin, the minutes of the Regular Session Board Meeting held on October 19, 2017 were approved by a vote of 12-0.

II. PUBLIC PARTICIPATING ON RESOLUTIONS - None

III. APPROVALS

- Approval of Cash Disbursements Over \$100,000 and Professional Invoices

Chairman Ferguson presented the report of cash disbursements over \$100,000 and Professional Invoices for the month of October 2017.

Upon motion by Commissioner Buckelew and seconded by Commissioner Gluck, the cash disbursements over \$100,000 for the month of October 2017 were approved subject to the following recusals:

| | |
|-----------------------|----------------------|
| <u>Member</u> | <u>Recused as to</u> |
| Commissioner Buckelew | Borough of Oceanport |

Resolution 2017-31 Resolution Adopting the 2017 NJSEA Budget.

Chairman Ferguson presented Resolution 2017-31. Upon motion by Commissioner Buckelew and seconded by Commissioner Gluck, proposed Resolution 2017-31 was unanimously approved by 12-0 vote.

Mr. Yarenis was pleased to report that the NJSEA CY2017 budget stayed within the \$15 million appropriations from Trenton. He also stated that the budget was reviewed by the Executive Committee and asked if any board members had questions.

Resolution 2017-32 Resolution Approving the NJSEA Annual Schedule of Meetings for the Year 2018.

Chairman Ferguson presented Resolution 2017-32. Upon motion by Commissioner Gluck and seconded by Commissioner Scala, proposed Resolution 2017-32 was unanimously approved by 12-0 vote.

Resolution 2017-33 Resolution to Deem the Property Located at 1631 Paterson Plank Road, Block 191, Lots 15.01, 15.02 & 15.03 in Secaucus as an Area In Need of Redevelopment – File No. SP-747.

Ms. Sundell explained that Pirhl, the contract purchaser of the 3.14-acre property owned by Schmitt Realty Co. Inc., located at 1631 Paterson Plank Road in Secaucus, has submitted a petition requesting that the property be designated as an area in need of redevelopment. Ms. Sundell went on to explain that in July, the Board authorized staff to conduct an investigation of the property. The subject property was utilized for over a century as a concrete plant, which has been closed for over a decade. Ms. Sundell stated that the isolated, underutilized industrial property has a large amount of impervious surface, consisting of a one to two-feet thick layer of concrete, and is surrounded by various residential uses and a municipal park. The parcels within the study area were evaluated in relation to the in need of redevelopment criteria established by the NJSEA statute and regulations. She also stated that Land Use staff compiled the results of the investigation in a Draft Report and held a public hearing on the matter. At the public hearing, the Town of Secaucus expressed support for the in need designation of the property. Ms. Sundell stated that Staff is recommending that the

Board designate the site as an area in need of redevelopment and authorize the Staff to prepare a redevelopment plan

Chairman Ferguson presented Resolution 2017-33. Upon motion by Commissioner Plofker and seconded by Commissioner Scardino, proposed Resolution 2017-33 was unanimously approved by 12-0 vote.

Resolution 2017-34 Resolution to Issuing a Decision on the Variance Application Submitted as Part of File No. 16-577 – 420 St.Paul’s Ave JC LLC/ACE LIMO – C.O. Block 6201, Lot 13 in Jersey City.

Ms. Sundell explained that the application was submitted on behalf of Ace 1 Limo, LLC regarding the property located at 420 St. Paul’s Avenue in Jersey City. Ace 1 Limo has requested a use variance to occupy 1,277 square feet of office space as a principal use on the subject premises. She went on to explain that the site is located in the Heavy Industrial zone, where office is not listed as a permitted use and that the subject property is currently developed with a three-story mixed-use building with a sit-down restaurant on the first floor and residential units above. Ms. Sundell stated that at the public hearing, a neighboring property owner expressed concerns about the lack of on-street parking in the neighborhood for the applicant’s fleet vehicles and stated that he would not have an objection if there were not a parking issue. The applicant provided testimony that the company’s fleet vehicles will be parked off-site at another location and the proposed office would only be utilized for administrative and dispatch staff, which consists of two to three employees. In addition, the traffic and parking impact from the proposed office use is anticipated to be substantially less than its current impact as a sit-down restaurant. Ms. Sundell stated that Staff is recommending the conditional approval of the use variance, with the limitation that the office space shall be utilized by Ace 1 Limo, Inc. solely as an office for administrative purposes and shall not be permitted to utilize the facility for the other functions of a taxi and limousine service.

Chairman Ferguson presented Resolution 2017-34. Upon motion by Commissioner Buckelew and seconded by Commissioner Plofker, proposed Resolution 2017-34 was unanimously approved by 12-0 vote.

V. PUBLIC COMMENTS

- Andrew Schwartz of Sills Cummis and Gross, representing Towers Assoc., spoke about Resolution 2017-28 that was approved at the September board meeting. Mr. Schwartz stated that, on behalf of Towers Assoc., an appeal was filed to the Appellate Division of the State of NJ Superior Court and a motion to stay was filed to the NJSEA board for application 17-239 pending the appeal. Mr. Schwartz urged the board to act and grant the application for a stay. Mr. Levy responded that the agency did receive the motion for a stay and that it is being evaluated by the Attorney General’s office. Mr. Levy stated that he will have the Attorney General’s office contact Mr. Schwartz.

VI. EXECUTIVE SESSION

Chairman Ferguson stated a need for the Board to enter into Executive Session to discuss contractual matters and litigation matters.

Resolution 2017-35 Resolution authorizing the NJSEA to enter into a meeting to which the general public shall not be admitted to discuss legal matters, personnel matters and contract negotiations.

Upon motion made by Commissioner Scala and seconded by Commissioner Gluck Resolution 2017-35 was approved by a vote of 12-0.

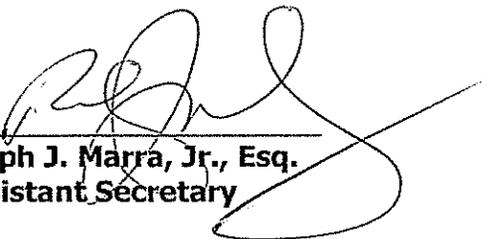
Motion was made and seconded to enter into open session.

VII. MOTION TO ADJOURN

With no further business, motion to adjourn the meeting was made by Commissioner Plofker and second by Commissioner Gluck with all in favor.

Meeting adjourned at 10:25 a.m.

I certify that on information and belief this is a true and accurate transcript of the Minutes of the Regular Session of the New Jersey Sports and Exposition Authority Board Meeting held on November 16, 2017.



Ralph J. Marra, Jr., Esq.
Assistant Secretary

November 16, 2017

| Commissioner | Roll Call | 2017-31 | 2017-32 | 2017-33 | 2017-34 | 2017-35 |
|----------------------|------------------|---------|---------|---------|---------|---------|
| Ferguson | P | Y | Y | Y | Y | Y |
| Buckelew | P | Y | Y | Y | Y | Y |
| Hasenbalg | P | Y | Y | Y | Y | Y |
| Ballantyne | P (via phone) | Y | Y | Y | Y | Y |
| Fontoura | P (via phone) | Y | Y | Y | Y | Y |
| Gluck | P | Y | Y | Y | Y | Y |
| Gonnelli | -- | -- | -- | -- | -- | -- |
| Jones | -- | -- | -- | -- | -- | -- |
| Kolber | P (via phone) | Y | Y | Y | Y | Y |
| Plofker | P | Y | Y | Y | Y | Y |
| Scala | P | Y | Y | Y | Y | Y |
| Scardino | P | Y | Y | Y | Y | Y |
| Yudin | P | Y | Y | Y | Y | Y |
| Treasury Rep McManus | P | Y | Y | Y | Y | Y |

P - Present A - Abstain
 -- Absent R = Recuse
 Y = Affirmative N = Negative

APPROVALS



CASH DISBURSEMENTS
\$100,000 OR MORE
NOVEMBER 2017

SPORTS COMPLEX

| <u>Nov</u> | <u>\$ AMOUNT</u> | <u>REFERENCE LETTER</u> | <u>ACCOUNT DESCRIPTION</u> |
|-----------------------------|---------------------|-------------------------|---------------------------------------|
| NEW JERSEY STATE POLICE | 1,217,489.94 | A/L | OVERTIME CHARGES: JUN 2017 - SEP 2017 |
| NRG BUSINESS SOLUTIONS | 374,272.89 | J/L | ELECTRICITY CHARGES: OCT 2017 |
| SPORTS COMPLEX TOTAL | <u>1,591,762.83</u> | | |

OTHER

| <u>PAYEE</u> | <u>\$ AMOUNT</u> | <u>REFERENCE LETTER</u> | <u>ACCOUNT DESCRIPTION</u> |
|--------------------------------|---------------------|-------------------------|---|
| JACOBS ENGINEERING GROUP, INC. | 105,295.63 | A/L | ON-CALL TRAFFICE SUPPORT SERVICES - PARTIAL REIMBURSEMENT FROM FHWA: AUG 2017 |
| JERSEY CITY, CITY OF | 112,722.67 | I | TAX SHARING: CALENDAR YEAR 2017 |
| KEARNY, TOWN OF | 427,207.95 | I | TAX SHARING: CALENDAR YEAR 2017 |
| RUTHERFORD, BOROUGH OF | 125,000.00 | I | PAYMENT IN LIEU OF TAXES: 2017 |
| WASTE MANAGEMENT OF NEW JERSEY | 257,318.08 | A | OPERATIONS CONTRACT - KEEGAN LANDFILL: OCT 2017 |
| OTHER TOTAL | <u>1,027,544.33</u> | | |

**OUTSTANDING PROFESSIONAL SERVICES
NOVEMBER 2017**

| <u>PAYEE</u> | <u>\$ AMOUNT</u> | <u>DESCRIPTION</u> |
|-----------------------------|-------------------|---|
| GIBBONS P.C. | 104,017.50 | LEGAL SERVICES - AUTHORITY TRANSACTIONS COUNSEL: NOV 2017 |
| SPORTS COMPLEX TOTAL | <u>104,017.50</u> | |



CASH DISBURSEMENTS
\$100,000 OR MORE

| <u>REFERENCE LETTER</u> | <u>TYPE</u> |
|-------------------------|---|
| A | CONTRACT ON FILE |
| B | PURCHASE AWARDS - APPROVED AT MONTHLY BOARD MEETING |
| C | STATE REQUIREMENT FOR RACING |
| D | STATE VENDOR |
| E | SOLE SOURCE* |
| F | APPOINTED BY RACING COMMISSION |
| G | ADVERTISED BID |
| H | PRESIDENT/CEO APPROVAL |
| I | STATUTORY PAYMENT |
| J | UTILITIES |
| K | LOWEST PROPOSAL |
| L | REIMBURSABLE |
| M | OUTSTANDING PROFESSIONAL INVOICES APPROVED AT MONTHLY BOARD MEETING |
| N | PURCHASES ON BASIS OF EXIGENCY |
| * | PURCHASES DIRECT FROM SOURCE |
| | EXPENDITURE TO BE CHARGED TO MAINTENANCE RESERVE FUND |

RESOLUTION 2017 -36

**RESOLUTION ACCEPTING THE
2016 AUDIT REPORT**

BE IT RESOLVED by the New Jersey Sports and Exposition Authority that the Audit Report prepared by PKF O'Connor Davies, LLP, Certified Public Accountants, for the operations of the NJSEA for the year ended December 31, 2016, are hereby accepted.

I hereby certify the foregoing to be a true copy of the Resolution adopted by the New Jersey Sports and Exposition Authority at their meeting of December 14, 2017.

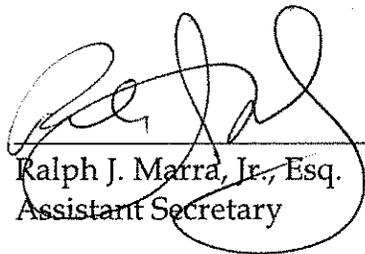

Ralph J. Marra, Jr., Esq.
Assistant Secretary

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(A Component Unit of the
State of New Jersey)
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Independent Auditors' Report

To the Chair and Members of
New Jersey Sports and Exposition Authority
Lyndhurst, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New Jersey Sports and Exposition Authority ("Authority"), a component unit of the State of New Jersey, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Chair and Members of
New Jersey Sports and Exposition Authority
Page 2

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

| <u>Opinion Unit</u> | <u>Type of Opinion</u> |
|--------------------------------------|------------------------|
| Governmental Activities | Unmodified |
| Business-Type Activities | Qualified |
| General Fund | Unmodified |
| Environmental Center Fund | Unmodified |
| Magnet Fund | Unmodified |
| NJSEA Enterprise Fund | Qualified |
| Solid Waste Enterprise Fund | Unmodified |
| Aggregate Remaining Fund Information | Unmodified |

Basis for Qualified Opinion on Business-type Activities and NJSEA Enterprise Fund

In March 2015, management elected to close the operations of its 20,000 seat entertainment arena located in East Rutherford, New Jersey. This closure is considered a significant and unexpected decline in service utility which was not part of the expected normal life cycle. Under generally accepted accounting principles, this change requires the arena to be reported at the lower of the carrying value or fair value.

Management has decided not to provide a fair value measurement of the arena at this time. Therefore, the amount of an impairment loss, if any, cannot be determined. The financial impact of an impairment loss, if one was required, would reduce the carrying amount of fixed assets and net position. Additionally, any impairment loss would reduce the current year's profit or increase the current year's loss.

The carrying value of the arena has been reclassified to show it has become a non-performing asset.

Qualified Opinion on the Business-type Activities and NJSEA Enterprise Fund

In our opinion, except for the effects of the matter described in Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly in all material respects, the financial position of the business-type and NJSEA Enterprise Fund of the Authority as of December 31, 2016, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund other than the NJSEA Enterprise Fund, and the aggregate remaining fund information of the Authority, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, schedule of Authority's proportionate share of the net pension liability - PERS, and the schedule of Authority's contributions - PERS as presented in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Livingston, New Jersey
November 30, 2017

New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis
December 31, 2016

The Authority's Business

The Authority is engaged in the business of owning and maintaining entertainment, convention and environmental facilities throughout the State of New Jersey (the "State"). It was created as a quasigovernmental instrument of the State not only for the purpose of generating revenues from these activities, but also to generate sales tax revenues and provide economic stimulus to the regions surrounding the facilities. The Authority's roles include providing for the proper disposal of solid waste, preserving the environment, establishing and enforcing the zoning and subdivision regulations of the Meadowlands District and the enforcement of New Jersey's Uniform Construction Code.

Below is a description of the Authority's operations:

The Meadowlands Sports Complex - East Rutherford, New Jersey

Meadowlands Racetrack - on December 19, 2011, NJSEA and New Meadowlands Racetrack, LLC ("NMR") entered into a 30-year lease agreement for full operational control of the Meadowlands Racetrack, the development of 4 Off-Track Wagering ("OTW") sites and the transfer of a 35% interest in Account Wagering. The lease has a renewal option for a further 10 year period at its conclusion. On November 23, 2013, NMR moved its operations to a newly constructed grandstand facility opposite the existing grandstand.

Meadowlands Arena (the Arena) - is a 20,000 seat indoor arena with 29 private suites, containing approximately 456 seats, and 4,000 of its own parking spaces. Its revenues are generated from leases and license agreements with sporting events, family shows, and concerts. From April 2015 the NJSEA closed the Arena for public events.

American Dream Retail and Entertainment Project (formerly known as the Xanadu Project) - a multi-use attraction currently under construction consisting of approximately 2.9 million square feet of gross leasable space containing entertainment, restaurant and ancillary retail components. On June 30, 2005, the Authority entered into a ground lease and related project agreements for development of the Xanadu Project, approximately 104 acres at the Meadowlands Sports Complex.

The Authority received pre-payments of ground rent through 2023 in the amount of \$160,000,000. In 2005, the Authority used \$26,800,000 of the prepaid ground rent to purchase the wetland mitigation bank rights on the Empire Tract. The Authority also used \$37,190,000 to defease tax-exempt bonds attributable to the Xanadu Project site. Expenses associated with the project that were previously deferred were expensed in 2005. For GAAP purposes revenue will be realized by amortizing the upfront payment over 18 years.

American Dream's developer, Ameream, LLC, has announced that the complex will be anchored by department stores Saks Fifth Avenue and Lord & Taylor. The complex's many scheduled features include indoor amusement and water parks, a movie theater complex, an observation wheel, an indoor ski and snowboarding slope, and numerous restaurants. The developer has estimated a Spring 2019 opening.

Other - Additionally, the Sports Complex generates revenues from events such as outdoor markets held in the Complex's parking lots. Additionally, income is generated from advertising signage located at various locations around the Sports Complex.

Management's Discussion and Analysis
December 31, 2016

Introduction to the Annual Report

This annual report consists of four parts: Management's Discussion and Analysis ("MD&A"), Financial Statements, Notes to the Financial Statements and Required Supplementary Information.

Management's Discussion and Analysis:

- This section of the New Jersey Sports and Exposition Authority's ("Authority" or "NJSEA"), a component unit of the State of New Jersey, financial statements presents an overview of the Authority's financial performance for the year ended December 31, 2016. It provides an assessment of how the Authority's position has improved or deteriorated and identifies the factors that, in management's view, significantly affected the Authority's overall financial position. It may contain opinions, assumptions or conclusions by the Authority's management that should not be considered a replacement for, and must be read in conjunction with, the other financial statements described below.

The Basic Financial Statements include:

- The Statements of Net Position, which provide information about the nature and amounts of resources with present service capacity that the Authority presently controls (assets), consumption of net position by the Authority that is applicable to a future reporting period (deferred outflow of resources), present obligations to sacrifice resources that the Authority has little or no discretion to avoid (liabilities), and acquisition of net position by the Authority that is applicable to a future reporting period (deferred inflow of resources) with the difference between assets/deferred outflow of resources and liabilities/deferred inflow of resources being reported as net position.
- The Statements of Net Activities which account for all of the current year's revenues and expenses measures the Authority's operations over the past year and can be used to determine how the Authority has funded its costs.
- The Statement of Cash Flows, reported for its enterprise funds which provide information about the Authority's cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities.
- The Fiduciary Funds statement provides information about the financial relationships in which the Authority acts as trustee for the benefit of parties outside of NJSEA operations.

The Notes to the Financial Statements provide:

- Information that is essential to understanding the financial statements, such as the Authority's accounting methods and policies.
- Details of contractual obligations, future commitments and contingencies of the Authority.
- Any other events or developing situations that could materially affect the Authority's financial position.

New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis
December 31, 2016

Monmouth Park Racetrack - Oceanport, New Jersey

Monmouth Park Racetrack consists of a one-mile oval track for thoroughbred racing, grandstand, and clubhouse seating for 18,000 spectators, 68 luxury open-air boxes and parking for 14,000 vehicles. Support facilities include 40 barns for 1,550 horses. Its revenues are generated from commissions on live and simulcast pari-mutuel wagering, parking, admissions, program and concessions sales.

On February 29, 2012, the Authority and the New Jersey Thoroughbred Horsemen's Association, Inc. ("NJTHA") executed an up to 35-year lease to operate the Monmouth Park Racetrack. The agreement included a 35% interest in account wagering and the rights to build and operate an additional five Off-Track Wagering facilities. The NJTHA took full operational control on May 3, 2012.

New Jersey Account Wagering System (4NJBets)

The Authority is the sole licensee of the State's Account Wagering operations which began in October of 2004 as a joint venture with New Jersey Account Wagering, LLC for the purpose of implementing an account wagering system in the State. The system allows account holders to make wagers through an internet connection or an automated telephone system. In 2012, the Authority entered into a 5-year management agreement with Darby Development, LLC ("Darby"), to manage the daily activities of the account wagering operations on the Authority's behalf. The Authority remains the account wagering licensee and retains a majority position on the operating board. As part of the racetrack ground leases, the Authority's 70% financial interest in Account Wagering was transferred in equal shares to NMR (the Meadowlands Racetrack) and to the NJTHA (the Monmouth Park operator), less 5% retained by the Authority.

The Greater Wildwoods Convention Center - Wildwood, New Jersey

The Greater Wildwoods Convention Center (the "Center") is a facility situated on the boardwalk in Wildwood, New Jersey, consisting of a 72,000 square foot exhibition floor and parking for 700 vehicles. Rental of the space for trade shows, concerts, conventions, and meetings comprise the Center's revenues.

Other - The towns of Wildwood, North Wildwood, and Wildwood Crest impose a tourism tax on retail sales. A portion of these revenues are provided to the Authority to operate, maintain and promote the center.

Solid Waste & Natural Resources

The Solid Waste and Natural Resources division covers several aspects of the NJSEA's mandates, including providing for the proper disposal of solid waste, preserving the environment and conducting field studies. The Solid Waste division operates the Keegan Landfill in Kearny, leases a trash-transfer station in North Arlington and also leases a vegetative waste disposal site in Kearny. In addition, 33 floodplain management structures throughout the Meadowlands District are maintained by the department.

Land Use Management

The Land Use Management division is organized into two groups. One group is responsible for establishing and enforcing the zoning and subdivision regulations of the Meadowlands District. The second group is responsible for enforcing New Jersey's Uniform Construction Code. Together, they preside over the primary land use regulations that govern the 30.4 square-mile Meadowlands District. Redevelopment plans and changes to properties are all reviewed by this department to conform to the Meadowlands Master Plan, its underpinning regulations, and statewide regulations to ensure orderly development.

Other

In addition to the scientific research performed by the Natural Resources Department, the NJSEA conducts critical research to better understand, manage and improve the Meadowlands District's unique ecosystem, including its wetlands, through the Meadowlands Environmental Research Institute (MERI) operated by Rutgers University-Newark. The NJSEA also provides environmental science programs to school children through a partnership with the Ramapo College Foundation.

Financial Analysis

The following sections will discuss the Authority's Financial Position for 2016. Additionally, an examination of major economic factors and industry trends that have contributed to the Authority's operations are provided. It should be noted that for purposes of this MD&A, summaries of the financial statements and the various exhibits presented include information from the Authority's financial statements, which are prepared in accordance with generally accepted accounting principles ("GAAP").

Highlights (2016)

Total operating revenues were \$57.1M in 2016. Solid Waste accounted for \$14.4M of that total with Sports & Entertainment Facilities contributing another \$14.5M. Total operating expenses (before depreciation and amortization) were \$84.3M for the year, of which \$30.0M were associated with management and administrative expenses and \$18.0 related to solid waste operations.

Financial Summaries

The following tables provide a condensed summary and basic explanation of the changes in the financial statements described above, which are also presented in full detail in this annual report.

Economic Conditions

The Authority has been a leader in the racing industry since opening the Meadowlands Racetrack in 1976 and purchasing the Monmouth Park Racetrack in 1986. Casino gaming, lotteries and the emergence of casinos in surrounding states has adversely effected racing which has operated at a net deficit since 2007. In response, NJSEA began the process of leasing its racing operations to private operators. The transfer of operational control was completed in May of 2012.

On June 20, 2005, the Authority entered into a ground lease and related project agreements for development of the Xanadu Project, approximately 104 acres at the Meadowlands Sports Complex. The Authority received pre-payments of ground rent through 2023 in the amount of \$160,000,000. For GAAP purposes revenue will be realized by amortizing the upfront payment over 18 years. As of December 31, 2016, the facility is still under construction.

In August and September 2016, the NJSEA authorized the issuance of Limited Obligation Grant Revenue Bonds in the aggregate principal amount not to exceed \$350,000,000 (the "ERGG Bonds"), in order to provide financing for a portion of the costs of developing the American Dream Project. The ERGG Bonds are special limited revenue obligations of the Authority payable from grants received by the Authority pursuant to a State Economic Redevelopment and Growth Incentive Grant Agreement awarded to the developer of the American Dream Project. As of December 31, 2016, the ERGG Bonds have not yet been issued.

In August and September 2016, the NJSEA authorized the issuance of Limited Obligation PILOT Revenue Bonds in the aggregate principal amount not to exceed \$800,000,000 (the "PILOT Bonds"), in order to provide financing for a portion of the costs of developing the American Dream Project. The PILOT Bonds are special limited revenue obligations of the Authority payable from PILOTs received by the Authority pursuant to a Financial Agreement between the developer of the American Dream Project, the Borough of East Rutherford and the Authority. As of December 31, 2016, the PILOT Bonds have not yet been issued.

Solid Waste

Revenues are dependent on the volume of solid waste being delivered by haulers either through independent projects or through contracts agreed to with various government entities. The loss of certain county contracts has resulted in a reduction of revenue streams for the facility.

NJSEA's lease with the Town of Kearny for the Keegan Landfill property expired in June 2016. Negotiations between the parties for an extension of the lease failed. NJSEA filed an action to condemn the Keegan Landfill property. The Superior Court of New Jersey affirmed the NJSEA's right to condemn the landfill after a challenge was made by the Town of Kearny. The Town has subsequently appealed the court's decision. The appeal remains ongoing. Simultaneously, proceedings to determine the valuation of the landfill relative to the condemnation remain ongoing. The NJSEA's expert appraisal set a value of \$1.8M for the property. Condemnation commissioners appointed by the court valued the property at \$7.8M in a non-binding process, which was appealed by the NJSEA. A trial de novo is anticipated to be held after the appeal of the right to condemn has been decided. As these legal matters proceed, operations at the landfill continue. The NJSEA received a Temporary Certificate of Authority to Operate (TCAO) for the landfill, which would permit operations up to 100 ft. The Town of Kearny has filed a request for an adjudicatory hearing on the TCAO.

Condensed Statement of Net Position

| | Governmental Activities | | Business-Type Activities | | Totals | |
|--------------------------------|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Current and Other Assets | \$ 12,554,528 | \$ 11,514,614 | \$ 41,236,022 | \$ 41,953,839 | \$ 54,370,530 | \$ 53,108,452 |
| Investment in Facilities | 26,458,910 | 26,116,349 | 255,022,961 | 264,501,325 | 281,481,861 | 290,171,976 |
| Non-Current Assets | - | - | 12,171,063 | 12,298,823 | 12,171,063 | 12,258,823 |
| | 39,003,438 | 37,630,963 | 309,030,046 | 317,914,299 | 347,033,454 | 355,545,251 |
| Deferred Outflows of Resources | 4,130,223 | 1,817,285 | 7,344,672 | 3,880,678 | 11,474,895 | 5,715,903 |
| Current and Other Liabilities | \$ 456,258 | \$ 1,102,641 | \$ 31,933,254 | \$ 42,152,259 | \$ 34,389,412 | \$ 43,264,970 |
| Long-Term Liabilities | 27,158,495 | 22,565,447 | 102,041,294 | 103,228,149 | 136,205,789 | 111,799,292 |
| Total Liabilities | 27,614,753 | 23,668,088 | 142,980,648 | 145,379,438 | 170,599,401 | 154,564,262 |
| Deferred Outflows of Resources | 1,109,934 | 253,878 | 7,755,093 | 4,116,427 | 8,864,937 | 4,970,102 |
| Net Position (or Restated) | 13,228,964 | 14,022,482 | 165,036,987 | 172,326,103 | 178,967,961 | 187,282,585 |

Condensed Statements of Net Activities

| | Governmental Activities | | Business-Type Activities | | Totals | |
|---|-------------------------|----------------|--------------------------|---------------|----------------|---------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Operating Revenues and Expenses | | | | | | |
| Operating Revenues | \$ 5,614,595 | \$ 6,441,185 | \$ 44,282,292 | \$ 39,000,000 | \$ 49,926,837 | \$ 65,501,185 |
| Governing Expenses Excluding Depreciation | (12,924,816) | (10,022,835) | (53,594,657) | (22,142,729) | (11,789,518) | (62,149,294) |
| Operating Revenues Net of Depreciation and Amortization | (6,550,251) | (3,561,670) | (13,812,371) | (13,082,729) | (17,862,681) | (16,648,109) |
| Depreciation and Amortization Expense | (894,225) | (1,517,496) | (9,991,644) | (14,817,371) | (10,655,339) | (16,154,667) |
| Operating Gain/(Loss) | (8,744,546) | (5,079,156) | (23,801,316) | (27,760,100) | (32,547,665) | (32,802,776) |
| Non-Operating Income and Expenses: | | | | | | |
| Luxury Tax, Marketing Fee and Tourism Tax | | | 3,963,251 | 4,052,238 | 3,963,251 | 4,632,238 |
| State Subsidy | 15,000,000 | 15,000,000 | 28,000,000 | 15,000,000 | 15,000,000 | 28,000,000 |
| Interest and Other Income/(Expenses) | 7,142,029 | 2,819,875 | (1,849,059) | 6,193,078 | 5,297,970 | 5,013,053 |
| Total Non-Operating Income | 7,142,029 | 2,819,875 | 17,114,202 | 35,245,316 | 24,263,221 | 39,645,291 |
| Change in Net Position | \$ (1,597,517) | \$ (2,259,281) | \$ (6,687,114) | \$ 8,485,216 | \$ (8,284,432) | \$ 4,270,035 |

While the Statements of Net Position show the financial position or net position, the Statements of Revenues, Expenses and Changes in Net Position provide answers as to the nature and source of these changes.

Increases in net position consist of:

- Operating revenues, which are the total revenues, generated at all the facilities.
- Marketing fee and tourism tax revenues are funds collected by the State for construction, development, operation, and promotion of the Wildwoods Convention Center as well as to repay the debt incurred on these projects.

Decreases in Net Position consist of:

- Operating expenses, which represent the costs associated with running facilities except for fixed asset acquisitions and capital maintenance costs that are depreciated.
- Depreciation expense which recognizes the cost of capital assets, such as buildings, equipment and improvements, over the life of the asset, usually between 2 and 60 years.
- Interest expense and other, which is the interest paid and accrued on the Authority's debt net of interest income generated on cash reserves held in cash and short-term investments.
- Other income and expenses, which are not directly related to operations, and often, may be non-recurring in nature.

Arena

From April, 2015, the NJSEA closed the Arena to public events.

The Greater Wildwoods Convention Center

The Wildwoods Convention Center depends heavily on the number and size of events it can attract, and relies on the performance of the tourism industries with which it can coexist. Details of event statistics are presented below.

| Wildwoods Convention Center | 2016 | 2015 |
|-----------------------------|------------|------------|
| Number of Event Days | 241 | 233 |
| Total Attendance | 166,640 | 186,236 |
| Net Event Income | \$ 608,048 | \$ 645,849 |

Capital Assets

At the end of 2016, the Authority had a net investment in capital assets of \$287,049,175 at a total capital cost of \$672,020,724 net of accumulated depreciation of \$384,971,549 as shown below.

| | December 31, 2015 | | Transfers and Deletions | December 31, 2016 | |
|--|-------------------|----------------|-------------------------|-------------------|------|
| | 2015 | Additions | | 2016 | 2016 |
| Meadowlands Sports Complex | \$ 482,401,934 | \$ 541,638 | | \$ 482,943,572 | |
| Monmouth Park Racetrack | 62,314,429 | | | 62,314,429 | |
| Wildwoods Convention Center | 57,925,329 | 397,635 | | 58,322,964 | |
| Lyndhurst | 40,572,946 | 46,846 | (2,685) | 40,617,107 | |
| Transportation Planning District | 7,367,055 | 562,454 | | 7,929,509 | |
| Solid Waste | 19,880,040 | 13,103 | | 19,893,143 | |
| Total Investment in Facilities | 670,461,733 | 1,561,676 | (2,685) | 672,020,724 | |
| Less Accumulated Depreciation | (373,760,265) | (11,213,903) | 2,685 | (384,971,549) | |
| Investment in Facilities Net of Accumulated Depreciation | \$ 296,701,468 | \$ (9,652,293) | \$ - | \$ 287,049,175 | |

Additions to capital assets during 2016 consisted of normal purchases and improvement of infrastructure, mechanical systems, as well as various safety upgrades.

Budgetary Controls

The Authority adopts entity-wide operating and capital plans that are approved by its Board of Commissioners. Budgets are a measure of the Authority's financial performance and accountability and are reviewed and revised, although not formally, throughout the year.

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
(a Component Unit of the State of New Jersey)

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2016

| | General Fund | Environmental Center Fund | MAGNET Funds | Other Governmental Funds | Total Governmental Funds |
|--|-------------------|---------------------------|-----------------|--------------------------|--------------------------|
| Revenues: | | | | | |
| Solid waste overhead reimbursement | \$ 3,653,635 | \$ 1,034,150 | \$ | \$ | \$ 4,687,785 |
| Composting revenues | 192,265 | | | | 192,265 |
| Super Storm Sandy revenue | 257,287 | | | | 257,287 |
| Grant revenue | | | | 74,804 | 74,804 |
| Conference revenue | 10,000 | | | | 10,000 |
| Lease revenue | 880,568 | | | | 880,568 |
| MCT reimbursement for service | 325,000 | | | | 325,000 |
| Fee income | 882,205 | | | | 882,205 |
| Expense reimbursement | 5,000,000 | | | | 5,000,000 |
| Other income | 215,328 | 12,392 | | | 227,720 |
| Rental income-seller | 190,233 | | | | 190,233 |
| Interest income | 62,087 | 99 | 1,043 | 125 | 63,354 |
| Total Revenue | 11,509,269 | 1,046,641 | 1,043 | 74,729 | 12,731,622 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Authority operations | 9,609,977 | | | | 9,609,977 |
| Keamy 1-A access agreement | 20,000 | | | | 20,000 |
| Environmental Center operations | | 518,587 | | | 518,587 |
| Ramapo College partnership | | 595,930 | | | 595,930 |
| MAGNET expenditures | | | 10,668 | | 10,668 |
| Super Storm Sandy expense | 50,700 | | | | 50,700 |
| Other expenditures | 448,264 | 6,118 | 35,000 | 92,020 | 581,722 |
| Capital outlay: | 46,849 | | | | 46,849 |
| Total Expenditures | 10,176,107 | 1,033,635 | 45,668 | 92,020 | 11,347,450 |
| Changes in Fund Balances | 1,493,102 | 13,006 | (44,645) | (17,291) | 1,444,172 |
| Fund Balance, beginning of year | 7,681,366 | 540,550 | 2,377,099 | 35,073 | 10,634,098 |
| Fund Balance, end of year | \$ 9,174,468 | \$ 553,556 | \$ 2,332,454 | \$ 17,782 | \$ 12,078,320 |
| Net changes to fund balance - total governmental funds | | | | | \$ 1,444,173 |
| Amounts reported for governmental activities in the statement of activities are different because: | | | | | |
| Capital outlays, net of depreciation expense | | | | | 46,846 |
| Depreciation expense | | | | | (694,295) |
| Pension expense | | | | | (1,237,576) |
| Post employment healthcare benefits, other than pension expense | | | | | (1,158,665) |
| Change in net position of government activities | | | | | \$ (1,587,517) |

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NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
(a Component Unit of the State of New Jersey)

Statement of Net Position
Proprietary Funds
December 31, 2016

| | NJSEA Enterprise Fund | Solid Waste Enterprise Fund | Total Enterprise Funds |
|---|-----------------------|-----------------------------|------------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and investments | \$ 11,632,608 | \$ 3,904,475 | \$ 15,537,083 |
| Due from State of New Jersey | 117,539 | | 117,539 |
| Prepaid expenses | 15,644 | | 15,644 |
| Receivables, net | 4,982,091 | 2,102,060 | 7,084,151 |
| Due from other funds | 3,469,761 | 198,580 | 3,668,341 |
| Total Current Assets | 20,217,843 | 6,205,115 | 26,422,958 |
| Non Current Assets | | | |
| Investments | | 11,538,063 | 11,538,063 |
| Notes receivable | 10,029,320 | | 10,029,320 |
| Other assets | 750,539 | | 750,539 |
| Restricted Assets | | | |
| Cash | 234,376 | 3,037,654 | 3,272,030 |
| Investments | | 2,438,846 | 2,438,846 |
| Capital assets, net | 254,030,816 | 92,145 | 254,122,961 |
| Total Non Current Assets | 254,945,061 | 17,106,708 | 282,051,769 |
| TOTAL ASSETS | 286,162,894 | 23,311,823 | 309,474,717 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows of resources related to pension | 3,905,398 | 3,079,274 | 7,344,672 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accounts payable and accrued liabilities | 8,885,166 | 1,024,374 | 9,910,540 |
| Interest payable on bonds and notes | 730,767 | | 730,767 |
| Due to other funds | | 444,892 | 444,892 |
| Unearned revenue | 22,369,893 | 922,150 | 23,292,043 |
| Total Current Liabilities | 31,985,826 | 2,391,216 | 34,378,045 |
| Long Term Liabilities | | | |
| Other long term liabilities | 75,922,722 | 4,309,216 | 80,231,938 |
| Net pension obligation | 13,827,162 | 12,117,539 | 25,944,801 |
| Bonds payable | 2,394,037 | | 2,394,037 |
| Compensated absences | 218,909 | 257,609 | 476,518 |
| Total Long Term Liabilities | 92,362,830 | 16,684,364 | 109,047,294 |
| TOTAL LIABILITIES | 124,348,656 | 19,075,580 | 143,424,236 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows of resources related to pension | 6,781,480 | 973,583 | 7,755,063 |
| NET POSITION | | | |
| Net investment in capital assets | 252,536,779 | 92,145 | 252,628,924 |
| Restricted | 234,376 | 15,467,829 | 15,702,205 |
| Unrestricted | (83,774,002) | (8,918,140) | (92,692,142) |
| TOTAL NET POSITION | \$ 158,997,153 | \$ 6,641,834 | \$ 165,638,987 |

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NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
(a Component Unit of the State of New Jersey)

Statement of Revenues, Expenditures, and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2016

| | NJSEA Enterprise Fund | Solid Waste Enterprise Fund | Total Enterprise Funds |
|---|-----------------------|-----------------------------|------------------------|
| OPERATING REVENUES: | | | |
| Sports Complex | \$ 10,528,997 | \$ | \$ 10,528,997 |
| Convention Center | 2,603,123 | | 2,603,123 |
| Entertainment Facilities | 8,888,888 | | 8,888,888 |
| Solid Waste Revenues | | 14,359,679 | 14,359,679 |
| Other Operating Revenue | 7,901,705 | | 7,901,705 |
| Total Operating Revenues | 29,922,713 | 14,359,679 | 44,282,392 |
| OPERATING EXPENSES: | | | |
| Sports Complex | 24,686,323 | | 24,686,323 |
| Convention Center | 6,157,317 | | 6,157,317 |
| Solid Waste expenses | | 7,976,290 | 7,976,290 |
| General and administrative | | 5,361,643 | 5,361,643 |
| Payment in lieu of taxes (PILOT) | 11,380,715 | 508,435 | 11,889,150 |
| Parks and open space | | 691,249 | 691,249 |
| MERL Operations | | 942,013 | 942,013 |
| Depreciation and amortization | 9,770,227 | 220,817 | 9,991,044 |
| Closure Expenses | | 2,289,681 | 2,289,681 |
| Total Operating Expenses | 51,994,582 | 17,991,128 | 69,985,710 |
| OPERATING INCOME (LOSS) | (22,071,869) | (3,631,449) | (25,703,318) |
| NON-OPERATING INCOME (EXPENSES): | | | |
| State appropriation | 15,000,000 | | 15,000,000 |
| Tourism tax | 3,965,261 | | 3,965,261 |
| Interest income (expense) | (60,054) | 110,995 | 50,941 |
| Total Non-Operating Income | 18,905,207 | 110,995 | 19,016,202 |
| CHANGE IN NET POSITION | (3,166,662) | (3,520,454) | (6,687,116) |
| NET POSITION - Beginning of Year (as restated) | 162,163,815 | 10,162,288 | 172,326,103 |
| NET POSITION - End of Year | \$ 158,997,153 | \$ 6,641,834 | \$ 165,638,987 |

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NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
(a Component Unit of the State of New Jersey)

Statement of Cash Flows
Proprietary Funds
December 31, 2016

| | NJSEA Enterprise Fund | Solid Waste Enterprise Fund | Total Enterprise Funds |
|--|------------------------|-----------------------------|------------------------|
| Cash Flows from Operating Activities | | | |
| Receipts from customers | \$ 28,301,807 | \$ 19,475,919 | \$ 47,777,726 |
| Payments to employees | (7,094,075) | (1,845,027) | (8,939,102) |
| Payments to suppliers | (28,740,852) | (20,049,896) | (58,790,748) |
| Beneficial reuse materials | | 636,750 | 636,750 |
| Net cash (used for) operating activities | (17,532,815) | (1,582,254) | (19,115,069) |
| Cash Flows from Noncapital Financing Activities | | | |
| Tourism tax revenues | 4,094,833 | | 4,094,833 |
| Landfill remediation and post-closure | | (2,289,531) | (2,289,531) |
| Net cash provided by (used for) noncapital financing activities | 4,094,833 | (2,289,531) | 1,805,302 |
| Cash Flows from Capital and Related Financing Activities | | | |
| State appropriations | 15,000,000 | | 15,000,000 |
| Purchase of capital assets | (939,272) | (13,103) | (952,375) |
| Repayment of racetrack loans | 1,438,614 | | 1,438,614 |
| Net cash provided by (used for) capital financing activities | 15,499,342 | (13,103) | 15,486,239 |
| Cash Flows from Investing Activities | | | |
| Interest | (80,054) | 110,995 | 30,941 |
| Purchase of investments | | (259,448) | (259,448) |
| Net cash (used for) investing activities | (80,054) | (148,453) | (228,507) |
| Net increase (decrease) in cash and cash equivalents | 2,001,311 | (4,033,340) | (2,032,029) |
| Cash and equivalents, beginning of year | 9,631,497 | 7,937,815 | 17,569,312 |
| Cash and equivalents, end of year | \$ 11,632,608 | \$ 3,904,475 | \$ 15,537,083 |
| Reconciliation of operating (loss) income to net cash provided by (used) by operating activities: | | | |
| Operating (loss) income | \$ (22,071,866) | \$ (3,631,449) | \$ (25,703,318) |
| Depreciation expense | 9,770,227 | 220,817 | 9,991,044 |
| Change in assets and liabilities: | | | |
| (Increase)/Decrease in Receivables, net | (1,431,262) | (1,053,839) | (2,485,101) |
| (Increase)/Decrease in Other Assets | 398,269 | | 398,269 |
| (Increase)/Decrease in Deferred Outflows | (1,553,585) | (1,892,405) | (3,445,990) |
| Increase/Decrease in Deferred Inflows | 3,263,516 | 275,120 | 3,538,636 |
| (Decrease)/Increase in Accounts Payable & Accrued Liabilities | 2,783,548 | 733,055 | 3,516,603 |
| (Decrease)/Increase in Other Liabilities | 54,457 | 2,287,615 | 2,342,072 |
| (Decrease)/Increase in Deferred Revenue | (8,837,529) | (450,431) | (9,287,960) |
| Due to/from other funds | | 1,925,598 | 1,925,598 |
| Other | (8,356) | 3,665 | (4,691) |
| Net cash (used for) provided by operating activities | \$ (17,532,816) | \$ (1,582,254) | \$ (19,115,069) |

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Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2016

| | Mitigation Trust | Transportation Planning | Third Party Escrow | Total |
|---|---------------------|-------------------------|--------------------|----------------------|
| Assets | | | | |
| Cash and investments | \$ 4,660,405 | \$ 4,846,915 | \$ 105,817 | \$ 9,613,137 |
| Receivables, net | | 252,041 | | 252,041 |
| Interfund receivable | 6,247 | | 35,662 | 42,809 |
| Capital assets - depreciable, net | | 6,557,314 | | 6,557,314 |
| Total Assets | 4,666,652 | 11,656,270 | 142,479 | 16,485,401 |
| Liabilities | | | | |
| Accounts payable & accrued liabilities | 21,729 | 314,878 | | 336,607 |
| Construction deposits | 266,254 | | | 266,254 |
| Rutherford post closure security | 167,875 | | | 167,875 |
| Environmental remediation | | | 142,479 | 142,479 |
| Security deposits | 126,455 | | | 126,455 |
| Mitigation deposits | 127,140 | | | 127,140 |
| Interfund payable | 112,556 | 390,053 | | 502,609 |
| Contract retainage payable | 563,509 | 51,357 | | 614,876 |
| Total Liabilities | 1,375,218 | 756,298 | 142,479 | 2,273,995 |
| Net Position | | | | |
| Invested in capital assets, net | | 6,557,314 | | 6,557,314 |
| Blacklight broadcasting escrow | 1,451,457 | | | 1,451,457 |
| Bloomberg escrow | 1,502,823 | | | 1,502,823 |
| Reserve for mitigation | 122,145 | | | 122,145 |
| Main street program | 150,781 | | | 150,781 |
| Transportation planning | | 4,342,658 | | 4,342,658 |
| Other | 84,228 | | | 84,228 |
| Total Net Position Held in Trust | \$ 3,311,434 | \$ 10,899,972 | \$ - | \$ 14,211,406 |

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New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)

Notes to Financial Statements
December 31, 2016

1. Organization

The New Jersey Sports and Exposition Authority (the "Authority" or "NJSEA") was created by the laws of the State of New Jersey of 1971, Chapter 137, and enacted May 10, 1971, as supplemented and amended by Public Law 2015, Chapter 19, enacted on February 5, 2015 (the "Act"). It is constituted as an instrumentality of the State, exercising public and essential governmental functions. The Act empowers the Authority to own and operate various projects, located in the State of New Jersey, including stadiums and other buildings and facilities for athletic contests, horse racing, and other spectator sporting events, trade shows, and other exhibitions. The Authority is also charged with the solid waste management, environmental protection, and the orderly, comprehensive development and redevelopment of the Hackensack Meadowlands.

The Authority has no stockholders or equity holders, and all bond proceeds, revenues, or other cash received must be applied for specific purposes in accordance with the provisions of the Act, and related bond resolutions, for the security of the bondholders. The Authority's Board consists of the President of the Authority, the State Treasurer, and a member of the Hackensack Meadowlands Municipal Committee ("NMCMC"), appointed by the Governor, who are members ex officio, and eleven members appointed by the Governor with the advice and consent of the State Senate.

2. Summary of Significant Accounting Policies

(a) Reporting Entity

The Governmental Accounting Standards Board ("GASB") establishes the criteria used in determining which organizations should be included in these financial statements. The GASB's Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, requires the inclusion of government organizations for which the Authority is financially accountable. Financial accountability is defined as: 1) appointment of a voting majority of the component unit's board and either (a) the ability to impose will by the primary government or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or 2) fiscal dependency on the primary government.

The GASB establishes the criteria used in determining which organizations should be included in the Authority's financial statements. Accounting principles generally accepted in the United States of America require the inclusion of the transactions of government organizations for which the Authority is financially accountable.

The extent of financial accountability is based upon several criteria including: appointment of a voting majority, imposition of will, financial benefit to or burden on a primary government and financial accountability as a result of fiscal dependency.

On February 23, 1998, the Authority assumed the assets and liabilities and undertook the existing operations of the Wildwoods Convention Center. The assets and liabilities were recorded at fair value and the difference was recorded to net assets, invested in capital facilities.

On February 5, 2015, the assets, liabilities and functions of the New Jersey Meadowlands Commission ("NJMC") were assumed by the NJSEA pursuant to the Hackensack Meadowlands Agency Consolidation Act at book value.

The Authority is a component unit included in the State of New Jersey's comprehensive annual financial report. The NJSEA requires significant subsidies from and has material transactions with the State of New Jersey and depends on certain tax revenues that are economically sensitive.

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
December 31, 2016

| | Mitigation Trust | Transportation Planning | Third Party Escrow | Total |
|--|---------------------|-------------------------|--------------------|----------------------|
| Additions | | | | |
| Transportation planning district fees | \$ - | \$ 744,877 | \$ - | \$ 744,877 |
| Bloomberg lease revenues | 127,212 | 4,365 | | 127,212 |
| Interest | | 1,709 | | 6,074 |
| Grants revenues | | 785,550 | | 785,550 |
| Backstrap escrow | 204,065 | | | 204,065 |
| | <u>335,642</u> | <u>1,532,336</u> | | <u>1,867,878</u> |
| Deductions | | | | |
| Mitigation expenses | 136,754 | | | 136,754 |
| MASSTR grant expenditures | | 1,451,232 | | 1,451,232 |
| | <u>136,754</u> | <u>1,451,232</u> | | <u>1,587,986</u> |
| Change in Net Position | 198,888 | 81,004 | | 279,892 |
| Net Position, Beginning of Year | 3,112,545 | 10,785,145 | | 13,897,690 |
| Adjustments to Net Position | | | | |
| Capital Outlays | | 562,453 | | 562,453 |
| Depreciation Expense | | (528,630) | | (528,630) |
| Net Position, End of Year | \$ 3,311,434 | \$ 10,899,972 | \$ - | \$ 14,211,406 |

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New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)

Notes to Financial Statements
December 31, 2016

2. Summary of Significant Accounting Policies (continued)

(b) Basis of Presentation

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied in governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Government - Wide Statements

The statement of net position and the statement of activities display information which includes the overall financial activities of the Authority. These statements distinguish between the governmental and business-type activities of the Authority. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the Authority's business-type activities and for each function of the Authority's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Authority's funds. Separate statements for each fund category applicable to the Authority governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Both enterprise funds are considered major. All remaining governmental funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as fees for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment income, result from non-exchange transactions or ancillary activities.

The Authority reports the following major governmental funds:

- **General Fund.** This is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund.
- **Environmental Center Fund.** The intention of the Environmental Center fund is to account for all financial resources required to operate the Environmental Center and Science Center.
- **MAGNET Fund.** The intention of the MAGNET fund is to set aside funds to be used for tax relief incentives for District municipalities.

The Authority reports the following major enterprise funds:

- **Solid Waste-Enterprise Fund.** This fund accounts for the activities of the landfills operated by the Authority, as well as the closure and post-closure costs of such landfills.
- **NJSEA Enterprise Fund.** This fund accounts for activities of the Sports Complex operated by the Authority, which have operations that are leased. The activities of the Wildwood Convention Center are also included in this fund.

2. Summary of Significant Accounting Policies (continued)

The Fiduciary fund accounts for the proceeds of deposits held in trust for others. Mitigation, Meadowlands Adjustment Payments, Transportation Planning District and environmental activities are reported in this fund.

The accounts of the Authority are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts.

(c) Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and other contributions. Revenue from such non-exchange transactions is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available to pay liabilities of the current period. The Authority recognizes revenues that are expected to be collected within 90 days of year end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest of general long-term debt and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

(d) Net Position

The Authority has adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which amends the net asset reporting requirement of Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and other pronouncements by incorporating deferred outflows from resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The classifications of net position are defined as follows:

- **Investment in capital assets** - This component of net position consists of capital assets, including restricted capital, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are any significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of investment in capital assets, net of related debt. Rather that portion of the debt is included in the same net assets component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net assets used through external constraints imposed by creditors (such as through debt covenants), grantors, contributions, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted** - This component of net position consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

2. Summary of Significant Accounting Policies (continued)

(j) Unearned Revenues

Unearned Revenue represents revenues collected but not earned as of December 31, 2016. This primarily consists of ground rent pre-payments and solid waste disposal tickets sold to haulers but still outstanding.

(k) Capital Assets

Capital assets are stated at cost or estimated historical cost. Contributed capital fixed assets are recorded at their estimated fair market value at the time received. Depreciation is provided using the straight-line method over estimated useful lives ranging from five to ten years for all assets. Capital fixed assets related to the Arena are considered non-performing assets and are shown separately in Footnote #4.

Asset lives used in the calculation of depreciation are generally as follows:

- Buildings 35-60 years
- Infrastructure 15 years
- Machinery and equipment 2-20 years
- Land improvements 10-20 years
- Leasehold rights 24 years

The Authority considers any asset acquired or improvement made to any building or facility, with a value over \$1,000 and an estimated useful life over one year, a depreciable capital asset.

(l) Accrued Liability for Closure and Post-closure Costs

The accrued liability for closure and post-closure costs represents funds collected as part of the solid waste tariff, which are required to be established to pay for the cost of closure and post-closure of landfills.

(m) Payable from Restricted Assets - Landfill Closure

The payable from restricted assets - landfill closure, represents funds collected as part of the solid waste surcharge, determined by the Department of Environmental Protection, which are required to be established to pay for the cost of closure and post closure of landfills. These amounts are based upon engineering studies which are evaluated on an annual basis.

(n) Payment in Lieu of Taxes

In accordance with a provision of the enabling Act, properties and income of the Authority are exempt from taxation. However, payments in lieu of taxes are made to municipalities to compensate for loss of tax revenues by reason of acquisition of real property by the Authority.

(o) Cash and Investments

Cash and investments include short-term investments that are carried at cost, which approximates market. The Authority considers all highly liquid investment with a maturity of three months or less when purchased to be cash equivalents. Restricted cash investments include short-term investments that are required for a specific purpose related to restrictions that may be contained in bond resolutions.

(p) Other Assets

Other assets include prepaid expense, prepaid insurance and loan receivables.

2. Summary of Significant Accounting Policies (continued)

(e) Fund Balance Classifications

The Authority has established a policy of classifying fund balances in accordance with Governmental Accounting Standards Board Statement No. 54 as follows:

- **Restricted fund balance** includes amounts that can be spent only for the specific purposes stipulated by external resource providers (for example, grant providers), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be modified or released only with the consent of resource providers.
- **Committed fund balance** includes amounts that can be used only for the specific purposes determined by a formal action of the Authority's highest level of decision-making authority. Commitments may be changed or lifted only by the Authority taking the same formal action that originally imposed the constraint.
- **Assigned fund balance** comprises amounts intended to be used by the Authority for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- **Unassigned fund balance** is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the general fund.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed. For the unrestricted fund balance, the Authority first spends committed funds, then assigned funds, and finally, unassigned funds.

(f) Accumulated Vacation Time

Salaries employees of the Authority may accumulate vacation time up to a maximum of their total vacation time for one year. This accumulated vacation time must be used within one year of the year earned. Upon termination of employment, salaried employees are entitled to receive a maximum lump sum payment of their accumulated vacation time.

(g) Valuation of Investments

State and local government securities, repurchase agreements, and certificates of deposit are investments in nonparticipating investment contracts which management concludes are not significantly affected by the impairment of the credit standing of the Authority or other factors. Credit ratings for these investments are not available. These investments are recorded at fair market value.

(h) Non-Operating Revenues and Expenses

Non-operating revenues: State payments received related to State Subsidies and Tourism taxes collected; management fees; interest revenue earned on investments and interest expense. Non-operating expenses are recognized in the accounting period in which the liability is incurred.

(i) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies (continued)

(q) Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This section represents a consumption of net position that applies to a future period and so is not recognized as an outflow of resources (expenditure) until then.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This section represents an addition of net position that applies to a future period and so is not recognized as an inflow of resources (revenue) until that time.

Both deferred inflows and outflows are pension related.

(r) Income Taxes

The Authority is exempt from federal income taxes under the Internal Revenue Code Section 115 and from state income taxes under N.J.S.A. 27:25-16. Accordingly, no provision is recorded for federal and state income taxes.

(s) Recent Accounting Standards

The Authority has evaluated the following pronouncements and their impact on the financial statements:

- GASB 76 - *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"*, effective for periods beginning after June 15, 2015 - The Authority has concluded that adoption of GASB statement 76 had no impact of the financial position, results of operations and cash flows.
- GASB Statement 77 - *"Tax Abatement Disclosures"*, effective for periods beginning after December 15, 2015 - The Authority has concluded that adoption of GASB statement 77 had no impact of the financial position, results of operations and cash flows.
- GASB Statement 78 - *"Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans"*, effective for periods beginning after December 15, 2015 - The Authority has concluded that adoption of GASB statement 78 had no impact of the financial position, results of operations and cash flows.
- GASB Statement 79 - *"Certain External Investment Pools and Pool Participants"*, effective for periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing, those provisions are effective for reporting periods beginning after December 15, 2015 - The Authority has concluded that adoption of GASB statement 79 had no impact of the financial position, results of operations and cash flows.

(t) Pending Accounting Standards

The Authority is currently evaluating the effects of the following pronouncements on the financial statements:

- GASB 73 - *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68"*, effective for periods beginning after June 15, 2015 - except for those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for periods beginning after June 15, 2016.
- GASB 74 - *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"*, effective for periods beginning after June 15, 2016.
- GASB 75 - *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*, effective for periods beginning after June 15, 2017.

2. Summary of Significant Accounting Policies (continued)

- GASB Statement 80 - "Blending Requirements for Certain Component Units -- An Amendment of GASB Statement No. 14, effective for periods beginning after June 15, 2016.

(u) Net Position Restatement

The Authority has recorded the following restatements to net position as of January 1, 2016:

| | Enterprise Fund |
|---|-----------------|
| Net Position - December 31, 2015 | \$ 186,800,877 |
| Restatement for recording of Other Post Employment Benefits | (14,474,574) |
| Net Position - December 31, 2015 (As Restated) | \$ 172,326,303 |

3. Cash and Investments

The components of cash and investments are as follows:

| | Balance Dec 31, 2016 | Fiduciary Fund Balance Dec 31, 2016 |
|-----------------------------------|-------------------------|---|
| Cash and Investments: | | |
| Unrestricted: | | |
| Cash on Hand | \$ 18,519,422 | \$ 9,633,137 |
| Investments | 18,501,524 | |
| NJ Cash Management Fund | 6,846,372 | |
| Unrestricted Cash & Investments | 41,867,268 | 9,633,137 |
| Restricted: | | |
| Cash on Hand | 3,272,030 | |
| Investments | 2,438,846 | |
| Restricted Cash & Investments | 5,710,876 | |
| Total Cash and Investments | \$ 47,578,144 | \$ 9,633,137 |

For 2016, restricted cash and investments include \$234,376 on the Camden project which is part of the operations of the Wildwoods Convention Center.

All demand deposits and certificates of deposit, except deposits held by the trustee, of any depository must be fully secured by lodging collateral security of obligations secured by the United States with the trustee or bank designated by the Trustee. At December 31, 2016 all demand deposits were collateralized.

The Authority categorizes its fair value measurements within the fair hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. All of the Authority's investments are measured using Level 1 inputs.

The N.J. Cash Management Fund is a money market fund managed by the State of New Jersey Division of Investments, P.L. 1950, c. 270 and subsequent legislation permit the Division to invest in a variety of securities, including, in the case of short-term investments, obligations of the U.S. Government and certain of its agencies, commercial paper, certificates of deposit, repurchase agreements, bankers' acceptances, and loan participation notes. All such investments must fall within the guidelines set forth by the regulations of the State of New Jersey, State Investment Council. Securities in the N. J. Cash Management Fund are insured or registered, or securities held by the Division or its agent in the N. J. Cash Management Fund's name.

5. Notes Receivable

The Authority, pursuant to its Racetrack Ground Lease Agreement with the New Jersey Thoroughbred Horsemen's Association Inc. and its Racetrack Ground Lease Agreement with the New Meadowlands Racetrack, LLC is owed Minimum Lease Payments, under both Agreements. The balance due at December 31, 2016 of \$10,029,320 is comprised of the New Jersey Thoroughbred Horsemen's Association Inc. balance of \$8,384,119 and the New Meadowlands Racetrack LLC balance of \$1,645,201. The notes carry an annual interest rate of 3%.

The Notes Receivable schedule is as follows:

| Year | New Jersey Thoroughbred Horsemen's Association | New Meadowlands Racetrack, LLC |
|------------|--|--------------------------------|
| 2017 | \$ 2,220,110 | \$ 1,152,408 |
| 2018 | 1,704,586 | 492,793 |
| 2019 | 1,833,713 | |
| 2020 | 1,548,770 | |
| Thereafter | 1,016,940 | |
| | \$ 8,384,119 | \$ 1,645,201 |

6. Long Term Liabilities

During 2016 the following changes in components of long term liabilities were:

| | Balance December 31, 2015 | Issued | Retired | Balance December 31, 2016 | Due within One year |
|----------------------------------|------------------------------|---------------|----------------|------------------------------|------------------------|
| Governmental Activities: | | | | | |
| PERs Pension Liability | \$ 12,153,737 | \$ 2,656,710 | \$ (7,255) | \$ 14,810,447 | \$ 7,300 |
| Chapter 19, P.L. 2009 Liability | 153,973 | | | 148,678 | |
| Compensated Absences | | 787,683 | | 787,683 | |
| Other Post Employment Benefits | 10,257,777 | 1,155,910 | | 11,413,687 | |
| | \$ 22,565,447 | \$ 4,600,303 | \$ (7,255) | \$ 27,158,495 | \$ 7,300 |
| | Balance December 31, 2015 | Issued | Retired | Balance December 31, 2016 | Due within One year |
| Business-Type Activities: | | | | | |
| NJSEA Enterprise | | | | | |
| Bonds Payable | \$ 2,442,505 | \$ (48,468) | \$ 2,394,037 | \$ 2,394,037 | \$ 616,000 |
| PERs Pension Liability | 16,433,849 | 766,717 | (3,293,404) | 13,807,162 | |
| Chapter 19, P.L. 2009 Liability | 451,697 | | (21,268) | 430,429 | 71,000 |
| Workshops Comp Costs | 9,507,729 | 969,550 | (1,759,255) | 8,707,954 | 1,759,295 |
| Other Post Employment Benefits | 14,474,574 | 1,400,744 | | 15,875,318 | |
| Compensated Absences | | 820,884 | (401,975) | 218,909 | |
| Union Pension Liabilities | 41,872,494 | 5,949,585 | | 47,822,079 | 1,200,000 |
| Environmental Remediation | 3,275,000 | | (270,000) | 3,005,000 | |
| Other Liabilities | 536,416 | | (254,495) | 281,931 | |
| Solid Waste Enterprise | | | | | |
| Cash Liabilities | 3,950,863 | 238,344 | | 4,189,207 | |
| PERs Pension Liability | 8,943,969 | 2,173,673 | | 12,117,639 | |
| Chapter 19, P.L. 2009 Liability | 125,945 | | (5,925) | 120,010 | 6,000 |
| Compensated Absences | 373,111 | | (115,507) | 257,604 | 116,000 |
| | \$ 103,208,149 | \$ 12,109,497 | \$ (6,221,694) | \$ 109,047,294 | \$ 3,102,295 |

4. Investment in Facilities

Investment in facilities is stated at cost, which includes all costs during the construction period for acquisition of land, rights of way, acquisition cost of acquiring facilities, surveys, engineering costs, roads, construction costs and additions to facilities, administrative and financial expenses and interest during construction net of interest income earned on the unexpended funds, including debt service reserve funds net of accumulated depreciation. Depreciation is computed by the straight-line method based on estimated useful lives of the related assets.

| | December 31, 2015 | Additions | Deletions | December 31, 2016 |
|--|----------------------|----------------|-----------|----------------------|
| Governmental Activities: | | | | |
| Capital assets that are not being depreciated: | | | | |
| Land | \$ 20,154,401 | \$ | \$ | 20,154,401 |
| Total capital assets not being depreciated | 20,154,401 | | | 20,154,401 |
| Capital assets that are being depreciated: | | | | |
| Building and building improvements | 16,804,245 | | | 16,804,245 |
| Machinery and equipment | 3,614,320 | 48,846 | (2,689) | 3,558,441 |
| Total historical costs | 20,418,549 | 48,846 | (2,689) | 20,462,706 |
| Less accumulated depreciation for: | | | | |
| Building and building improvements | (5,501,211) | (570,701) | | (6,071,912) |
| Machinery and equipment | (4,865,388) | (123,594) | 2,685 | (4,966,295) |
| Total accumulated depreciation | (10,366,599) | (694,295) | 2,685 | (10,958,209) |
| Total capital assets being depreciated | \$ 9,951,948 | \$ (847,449) | \$ | \$ 9,104,499 |
| Governmental activities capital assets, net | \$ 20,118,349 | \$ (847,449) | \$ | \$ 19,270,900 |
| Business-Type Activities: | | | | |
| Capital assets that are not being depreciated: | | | | |
| Land | \$ 117,149,000 | \$ | \$ | \$ 117,149,000 |
| Building and building improvements (1) | 39,868,193 | | | 39,868,193 |
| Total capital assets not being depreciated | 157,017,193 | | | 157,017,193 |
| Capital assets that are being depreciated: | | | | |
| Building and building improvements | 301,951,229 | 211,236 | | 302,162,465 |
| Machinery and equipment | 85,433,804 | 728,026 | (1,100) | 86,160,780 |
| Total historical costs | 387,385,133 | 939,272 | (1,100) | 388,323,235 |
| Less accumulated depreciation for: | | | | |
| Building and building improvements | (104,490,337) | (8,551,233) | | (113,041,570) |
| Machinery and equipment | (76,013,701) | (1,227,384) | 1,190 | (77,239,907) |
| Total accumulated depreciation | (180,504,038) | (9,778,597) | 1,190 | (190,280,445) |
| Total capital assets being depreciated | \$ 206,881,095 | \$ (8,839,325) | \$ | \$ 198,041,770 |
| Capital assets that are being amortized: | | | | |
| Landfills | 5,902,134 | | | 5,902,134 |
| Total historical costs | 5,902,134 | | | 5,902,134 |
| Less accumulated amortization for: | | | | |
| Landfills | (5,322,292) | (1,659,342) | | (6,981,634) |
| Total accumulated amortization | (5,322,292) | (1,659,342) | | (6,981,634) |
| Business-Type activities capital assets, net | \$ 206,601,820 | \$ (9,238,636) | \$ | \$ 197,363,184 |
| Fiduciary Activities: | | | | |
| Capital assets that are being depreciated: | | | | |
| Infrastructure | 7,307,055 | 502,454 | | 7,809,509 |
| Total historical costs | 7,307,055 | 502,454 | | 7,809,509 |
| Less accumulated depreciation for: | | | | |
| Infrastructure | (845,565) | (638,632) | | (1,484,197) |
| Total accumulated depreciation | (845,565) | (638,632) | | (1,484,197) |
| Total fiduciary assets being depreciated | \$ 6,461,490 | \$ (136,178) | \$ | \$ 6,325,312 |
| Total accumulated depreciation | \$ 6,461,490 | \$ (136,178) | \$ | \$ 6,325,312 |

(1) Building and building improvements not being depreciated represent the net book value of the Arena, a non performing asset as of December 31, 2016

7. Bonds and Notes Payable

Bonds and notes payable consist of the following:

| | NJDEP Fund | NJDEP Loan | NJDEP Trust Loan | Woodwood Bonds Payable | Interest | Total |
|-----------|------------------|-------------------|---------------------|------------------------------|---------------------|-------|
| 2017 | \$ 38,468 | \$ 15,000 | \$ 762,363 | \$ 59,557 | \$ 875,388 | |
| 2018 | 38,468 | 15,000 | 187,607 | 39,748 | 280,823 | |
| 2019 | 18,787 | 15,000 | 192,297 | 34,308 | 260,392 | |
| 2020 | | 15,000 | 197,105 | 28,500 | 241,005 | |
| 2021-2024 | | 60,000 | 838,942 | 58,928 | 957,870 | |
| | \$ 85,723 | \$ 120,000 | \$ 2,178,314 | \$ 221,441 | \$ 2,615,478 | |

Woodwoods Revenue Bonds 1996 Series A - The Authority assumed these bonds on February 23, 1998, as an obligation and liability of the Wildwoods Convention Center. The bonds were authorized by the Greater Wildwoods Tourism Improvement and Development Authority and issued to the City of Wildwood in the amount of \$3,400,000 for the acquisition of the Wildwoods Convention Center in 1998.

On November 8, 1998, the Authority entered into the Omnibus Intergovernmental Agreement with the City of Wildwood, the Borough of Wildwood Crest, the City of North Wildwood, the Greater Wildwoods Tourism Improvement and Development Authority and the Treasurer of the State of New Jersey. This agreement restated the original terms and conditions of the Authority's assigned obligation under the bonds and replaced the previous Bond Resolution. Under the terms of the new agreement, repayment of principal and interest is to be funded by the Available Revenues of the Wildwoods Convention Center after payment of operating expenses, funding of the maintenance reserve fund and payments in lieu of taxes. Should available revenues be insufficient to provide the required debt service amount any unpaid portion accrues to the following year to be funded by that year's available revenues. If it should be deemed necessary, the Authority may request an express separate appropriation from the State Treasurer to cover any shortfall. The Authority does not pledge the revenues, rents fees, rates, charges or other income derived from operations or ownership of any of its other projects, to the repayment of these bonds. In 2016 there was not enough available revenue after the above-mentioned expenses to make full payment on debt service for these Revenue Bonds.

Interest Costs - Interest costs for the year 2016 were \$54,457.

Notes payable consist of the following:

| | Date Issued | Original Amount | December 31, 2016 |
|---|----------------|--------------------|----------------------|
| Loan from the NJDEP Infrastructure Loan through August 1, 2024 at 0.00% | 3/1/2010 | \$504,000 | \$95,723 |
| Loan from the NJDEP Infrastructure Trust Loan through August 1, 2024 at various rates between 3% and 5% | 3/1/2010 | 180,000 | 120,000 |
| Total Notes Payable | | | \$215,723 |

7. Bonds and Notes Payable (continued)

On March 1, 2012, the Authority entered into an agreement with the State of New Jersey acting by and through the New Jersey Department of Environmental Protection in which the Authority received the proceeds of a \$564,000 loan from the NJDEP Infrastructure Fund and a \$180,000 loan from the NJDEP Infrastructure Trust. The proceeds were used to pay for the purchase of equipment for the purpose of cleaning and maintaining storm drains. The interest was calculated at 0.00% on the NJDEP Infrastructure Fund Loan and is for a term of 24 years. The interest was calculated between 3.00% and 5.00% on the NJDEP Infrastructure Trust Loan and is for a term of 24 years. Interest cost for 2016 on the NJDEP Infrastructure Fund Loan was \$0.

8. Operating Leases

The Authority has commitments to lease certain buildings and office equipment under operating leases that expire through 2031. Total operating lease payments made during the year ended December 31, 2016 were \$230,014. Future minimum lease payments are as follows:

| Year Ended December 31, | Amount |
|----------------------------|---------------------|
| 2017 | \$ 251,629 |
| 2018 | 244,442 |
| 2019 | 223,867 |
| 2020 | 197,932 |
| 2021-2025 | 989,660 |
| 2026-2030 | 989,660 |
| 2031-2035 | 148,449 |
| | <u>\$ 3,045,640</u> |

9. State Contract Bonds

The New Jersey Sports and Exposition Authority issued State Contract Bonds to fund various capital improvements of the Authority on behalf of the State of New Jersey. These bonds are considered conduit debt as permitted under Interpretation No.2 of the Governmental Accounting Standards Board.

None of the Authority's revenues, rents, fees, rates, charges or other income and receipts derived by the Authority from its operation or ownership of any of its projects are pledged or assigned to the payment of the principal or redemption price of and interest on such bonds. The State Contract Bonds are paid solely by the State of New Jersey.

The principal amount outstanding on the State Contract Bonds at December 31, 2016 was \$349,175,000. This amount is excluded from the financial statements of the Authority.

10. Tourism Tax

Upon transfer of the Wildwoods Convention Center from the Greater Wildwood Tourism Improvement and Development Authority ("GWTIDA") on February 23, 1998 (see Footnote 2(a)), the Authority assumed the right to receive 90% of the proceeds of a 2% tourism related retail receipts tax pursuant to N.J.S.A. 40:54D-1 et. Seq. (the "Tourism Improvement and Development District Law") for the construction and promotion of a new convention center facility. The remaining 10% of the funds generated by the tax is allocated to GWTIDA for its continuing promotion of tourism in the area. The tax is imposed and collected by ordinance and with the cooperation of the municipalities in the Greater Wildwoods (i.e., North Wildwood, Wildwood and Wildwood Crest).

11. Racetrack Ground Leases (continued)

The 2012 Minimum Lease Payments are payable to the Authority in monthly installments over a 60 month period commencing January 1, 2013 at an annual interest rate of 3%. As of December 31, 2016, the balance due from the Tenant was \$1,845,201.

In addition to Ground Rent, Tenant also pays Tenant's PILOT Payments.

In addition to the Ground Rent and commencing January 1, 2013, Tenant also pays as Additional Rent an amount equal to 10% of the Net Available Net Projects Revenue as defined in the Account Wagering Participation and Project Operating Agreement. With effect from July 1, 2016, the amount due was reduced to 5%.

12. Pension, Retirement, and Deferred Compensation Plans

Plan Description and Employer and Employee Contributions - Salaried employees of the Authority and Wildwood's Convention Center are covered by the Public Employees' Retirement System of the State of New Jersey ("PERS"), a cost-sharing multiple-employer defined benefit public employee retirement system. PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing PERS at the following address: Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625. Establishment of or amendments to PERS pension plans are done through New Jersey legislation.

All Authority salaried employees are required as a condition of employment to be members of PERS. A member may retire on a service retirement allowance as early as age 60; no minimum service requirement must be established. The formula for benefits is an annual allowance in the amount equal to years of service, divided by 60, times the final average salary. Final average salary means the average of the salaries received by the member for the last three years of creditable membership service preceding retirement or the highest three fiscal years of membership service, whichever provides the larger benefit. Benefits fully vest on reaching 10 years of service. Vested employees may retire at or after age 55 and receive reduced retirement benefits; unless the employee has obtained 25 years of service prior to retirement, which permits full benefit payments. The System also provides death and disability benefits. Benefits are established by State statute.

Effective May 21, 2010, the New Jersey legislature enacted changes in the PERS and other State employee pension plans (Chapter 1, P.L. 2010). The law makes changes to the rule governing eligibility, the retirement formula, compensation definition and positions eligible. Employees that are subject to a fixed number of hours fewer than thirty-five per week are not eligible to join PERS. Also, the current multiplier of 1/55 will change to 1/60. Section 38 of the law will require the Authority to make the full annual employer's contribution once the calculation is computed by its actuary.

Covered Authority employees are required by PERS to contribute 7.02% of defined salary. The Authority is required by State Statute to contribute the remaining amounts necessary to pay benefits when due. The PERS on the recommendation of an actuary, who makes an annual actuarial valuation, certifies the amount of the Authority's contribution each year. The valuation is a determination of the financial condition of the retirement system. It includes the computation of the present dollar value of benefits payable to former and present members and the present dollar value of future employer and employee contributions, giving effect to mortality among active and retired members and also to the rates of disability, retirement, withdrawal, former service, salary, and interest.

The employee contributions required for the years ended December 31, 2016 were \$887,111 (7.02%). Employer contributions for 2016 were \$1,367,135, equal to the required contributions for the year.

Other Benefits - Salaried employees of the Authority are eligible for participation in a section 401(k) deferred compensation plan, the New Jersey Sports and Exposition Authority Savings and Investment Plan. Until July 31, 2011 the Authority contributed a maximum of 4% of the employee's salary up to the IRS maximum less the portion attributable to the State pension plan ("PERS"), effective August 1, 2011 the Authority discontinued its employer contribution. Annual employee contributions for 2016 were \$239,607.

11. Racetrack Ground Leases

Monmouth Park Racetrack

On February 29, 2012, the Authority entered into the Racetrack Ground Lease Agreement ("Agreement") with the New Jersey Thoroughbred Horsemen's Association, Inc. ("Tenant") whereby the Authority leases real property located in the Borough of Oceanport, County of Monmouth, on which the Authority has constructed a thoroughbred racetrack. The NJTHA took full operational control on May 3, 2012.

The initial term of the Agreement runs through December 31, 2016, with 3 ten year renewal terms. As of December 31, 2016, Tenant has given timely notice of exercising the first of 3 ten year renewals.

Tenant agreed to pay Ground Rent, between 2012 through 2015, in the annual amount of \$1; in the first 10 year renewal the Tenant agrees to pay ground rent of the lesser of \$250,000 or 5% of the Tenant's annual net operating profit; in any renewal period after the first 10 year renewal period the Tenant agreed to pay Ground Rent of the lesser of \$500,000 or 5% of the Tenant's annual net operating profit.

In addition to Ground Rent, the Tenant is responsible for Minimum Lease Payments. To the extent that, from the Closing Date through December 31, 2012, operating and maintenance expenses exceed revenues, the Authority agreed to cover such excess expenses up to an aggregate amount not to exceed \$9,000,000 herein referred to as the "2012 Minimum Lease Payment." The Tenant is not obligated to repay the Authority for the first \$4,000,000 of 2012 Excess Expenses. To the extent that, from January 1, 2013 through December 31, 2013, operating and maintenance expenses exceed revenues the Authority, agreed to cover such excess expenses up to an aggregate amount not to exceed \$2,000,000. To the extent that, from January 1, 2014 through December 31, 2014, operating and maintenance expenses exceed revenues the Authority, agreed to cover such excess expenses up to an aggregate amount not to exceed \$2,000,000.

As of December 31, 2014, the total Minimum Lease Payments due from the Tenant to the Authority is \$9,000,000. Minimum Lease Payments, generated by year, are payable to the Authority in monthly installments over a 60 month period for each 2012, 2013 and 2014 year at an annual interest rate of 3%. As of December 31, 2016, the balance due from the Tenant was \$8,384,127.

In addition to Ground Rent, Tenant also pays any real estate taxes and/or Payments In-Lieu-Of Taxes ("PILOT") associated with the racetrack.

In addition to Ground Rent commencing January 1, 2013, Tenant shall also pay to the Authority as Additional Rent, an amount equal to five percent (5%) of the Available Net Project Revenues as defined in the Account Wagering Participation and Project Operating Agreement due to Tenant pursuant to the Account Wagering Participation and Project Operating Agreement.

Meadowlands Racetrack

On December 18, 2011 the Authority entered into the Racetrack Ground Lease Agreement ("Agreement") with New Meadowlands Racetrack, L.L.C. ("Tenant") whereby the Authority leases real property located in the Borough of East Rutherford, County of Bergen, on which the Authority has constructed a thoroughbred racetrack. Tenant has full operational control of the racetrack.

The initial term of the Agreement runs through December 31, 2042, with 2 ten year renewal terms.

In consideration of the Authority's execution of this Agreement and Tenant's rights to lease and utilize the premises and the leased equipment for the purposes set forth in the Agreement the Tenant agrees to pay Ground Rent, for the first 5 years, the annual amount of \$1; from the 5th anniversary to the remainder of the term the lesser of \$500,000 or 10% of the Tenant's annual net operating profit.

In addition to Ground Rent, the Tenant shall be responsible for Minimum Lease Payments. To the extent that, from the Closing Date through December 31, 2012, operating and maintenance expenses exceed revenues, the Authority agrees to cover such excess expenses up to an aggregate amount not to exceed \$5,500,000 herein referred to as the "2012 Minimum Lease Payment."

12. Pension, Retirement, and Deferred Compensation Plans (continued)

The Authority also participates in two deferred compensation plans as follows:

(a) New Jersey State Employees Deferred Compensation Plan. This Plan is an IRC Section 457 deferred compensation plan administered by the State of New Jersey and, accordingly, is included in the financial statements of the State. The Plan, available to all State employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. The Plan is funded solely from voluntary employee contributions. Employee contributions and investment earnings thereon are a part of the State Plan. Employees may defer a maximum 50% of their salary or \$17,500, whichever is less. Investments are on an individual participant basis and the total investment for all the Authority employees is unknown.

(b) AIG Retirement - This 457(b) plan, which commenced operations on December 31, 1985, is funded solely from voluntary employee contributions. The Plan is administered by AIG Retirement. All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the participating employees, and are not included in the accompanying financial statements. Employee contributions in 2016 were \$24,950.

Additionally, some Authority employees are participants in certain pension plans administered by local unions and contributions are made in accordance with terms of the union agreements of those employees. There are about 13 active unions participating in their own pension plans in accordance with each specific union agreement and based on each of the applicable union job trades. The total combined employer contribution for all participating unions in 2016 was \$1,794,873 and equal to the required contribution for the year.

Union plan financial statements may be obtained by writing to the relevant address below:

| | | |
|--|---|--|
| Local 137 (Box Office) 1012 Haddonfield Rd Suite 106 Cherry Hill, NJ 08002 | Local 472 (Parking) 905 16 th Street Washington, DC 20006 | Local 711 (Painters) 27 Roland Ave, Suite 200 Mt Laurel, NJ 08054 |
| Local 825 (Operating Engineers) 65 Springfield Ave Springfield, NJ 07081 | Local 164 (Electricians) 425 Eagle Rock Avenue Suite 105 Roseland, NJ 07068 | Local 1412 (Security/EAT) 905 16 th Street Washington, DC 20006 |
| Local 68 (HVAC) PO Box 534 West Caldwell, NJ 07005 | Local 24 (Plumbers) PO Box 1028 Trenton, NJ 08628 | Local 472 (Laborers) 700 Raymond Blvd Newark, NJ 07105 |
| Local 632 (Stagehands I.A.T.S.E) PO Box 11944 Newark, NJ 07101-4944 | Local 560 (Teamsters) PO Box 8037 Summit Avenue Station Union City, NJ 07087 | |

Mass Withdrawal Liability and Annual Payments Related to Local 137 - During 2007, the Authority withdrew from the pension plan of Local 137 (Mutuels) causing a mass withdrawal termination for that plan. Based upon this termination, the Authority is obligated to make annual payments to satisfy the employer's contribution.

The amount of the Authority's obligation, based on actuarial estimates, is approximately \$44.8 million and is recognized in the 2016 financial statements. The Authority will make annual cash payments of \$1.2 million to cover this liability.

12. Pension, Retirement, and Deferred Compensation Plans (continued)

Mass Withdrawal Liability and Annual Payments Related other Unions - In May 2012, the Authority leased the Monmouth Park operations to a private operator effectively ending its participation in the racing industry. As a result in 2013, two unions issued employer withdrawal demand notices to the Authority which were recognized in the 2013 financial statements: the amount of the Authority's obligations based on the demand letters are approximately Teamsters Local 469 - \$3.1 million and Plumbers Local 9 \$350,000. The Authority will make annual cash payments of \$222,225 to cover this liability. In June 2015 withdrawal demand notices were recognized for Local 1430, the amount of the obligation is \$188,000 with annual payments of \$25,708.

13. Public Employee Retirement System

The Public Employee Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PERS Plan are as follows:

Plan Membership and Contributing Employers: Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or other jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2016:

| | |
|---|----------------|
| Inactive plan members or beneficiaries currently receiving benefits | 166,637 |
| Inactive plan members entitled to but not yet receiving benefits | 703 |
| Active plan members | <u>258,161</u> |
| Total | <u>425,501</u> |

Significant Legislation - For State of New Jersey contributions to the PERS, Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions to the pension plan on a phased-in basis over a seven year period beginning in the fiscal year ended June 30, 2012. For State fiscal year 2014, the State was required to make a minimum contribution representing 37% of the actuarially determined contribution amount based on the July 1, 2012 actuarial valuation.

Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State Fiscal Year 2009. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of the PERS, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of the PERS.

For the year ended December 31, 2016 the Authority's total payroll for all employees was \$7,862,409. Total PERS covered payroll was \$6,246,636. Due to payroll system limitations, covered payroll refers to pensionable compensation, rather than total compensation, paid by the Authority to active employees covered by the Plan.

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13. Public Employee Retirement System (continued)

members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the Authority's proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to the Authority was \$40,755,248 or 0.1376070074%. At June 30, 2015, the proportionate share of the State of New Jersey's net pension liability for the Non-State Employer Member Group that is attributable to the Authority was \$38,492,333 or 0.1714733587%.

For the year ended December 31, 2016, the Authority recognized PERS expense of \$1,734,331. At December 31, 2016 the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expended and actual experience | \$ 757,925 | \$ - |
| Changes in assumptions | 8,442,311 | - |
| Net difference between projected and actual earnings on pension plan investments | 1,554,035 | - |
| Changes in proportion and differences between Authority contributions and proportionate share of contributions | 109,383 | 8,944,997 |
| Authority contributions subsequent to the measurement date | <u>611,241</u> | <u>-</u> |
| | <u>\$11,474,895</u> | <u>\$ 8,944,997</u> |

The \$611,241 shown as deferred outflows of resources related to the PERS resulting from Authority contributions subsequent to the measurement date (June 30, 2016) will be recognized as a reduction of net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the PERS should have been recognized in pension expense as follows:

| Year ended December 31, | Amount |
|----------------------------|---------------------|
| 2017 | \$ (467,633) |
| 2018 | 384,323 |
| 2019 | 1,416,581 |
| 2020 | 595,797 |
| 2021 | 5,589 |
| Total | <u>\$ 1,918,657</u> |

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13. Public Employee Retirement System (continued)

Specific Contribution Requirements and benefit provisions - The contribution policy is set by N.J.S.A 43:15 and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.06% in State fiscal year 2018 and increased to 7.2% for State fiscal year 2017, commencing July 1, 2016. The phase-in of the additional incremental member contribution rate will take place in July of each subsequent State fiscal year. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Authority's cash basis contributions to the Plan for the years ended December 31, 2016 were \$1,474,211. Authority contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated. Authority payments to PERS for the years ending December 31, 2016 consisted of the following:

| | |
|--------------------------------------|---------------------|
| Normal Cost | \$ 249,578 |
| Amortization of Accrued Liability | <u>1,149,713</u> |
| Total Pension | 1,399,291 |
| NCGI Premiums | <u>74,920</u> |
| Total Regular Billing | 1,474,211 |
| Additional Billings and Adjustments: | 102,678 |
| ERI 2 | 1,438 |
| ERI 3 | - |
| Ch. 19, P.L. 2009 | - |
| Total PERS Payment | <u>\$ 1,578,525</u> |

Ch. 19, P.L. 2009 billings reflect the recoupment of the 50% deferral of normal and accrued liability costs due on April 1, 2009. As discussed above, the law set a fifteen year repayment schedule for the deferred amount, with additional annual adjustments to reflect the return on investment of actuarial net position of the plan on deferred principal balances.

The vesting and benefit provisions are set by N.J.S.A. 43:15. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

| Tier | Definition |
|------|--|
| 1 | Members who were enrolled prior to July 1, 2007. |
| 2 | Members who were eligible to enroll on or after July 1, 2007 and prior to November 8, 2008 |
| 3 | Members who were eligible on or after November 2, 2008 and prior to May 22, 2010 |
| 4 | Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011 |
| 5 | Members who were eligible to enroll on or after June 28, 2011 |

A service retirement benefit of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, to tier 3 and 4 members before age 62 and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age of his/her respective tier. Deferred retirement is available to

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13. Public Employee Retirement System (continued)

Actuarial Assumptions: The total pension liability in the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|------------------------------|-------------------------|
| Inflation | 3.08% |
| Salary increases (2012-2026) | 1.65-4.15% Based on age |
| Thereafter | 2.65-5.15% Based on age |
| Investment rate of return | 7.65% |

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality Rates - Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirees and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirees and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

Long-term Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) was determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits and the actuaries. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocations as of June 30, 2016 are summarized in the following table:

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13. Public Employee Retirement System (continued)

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------------|-------------------|--|
| Cash | 5.00% | 0.87% |
| U.S. Treasuries | 1.50% | 1.74% |
| Investment grade credit | 8.00% | 1.79% |
| Mortgages | 2.00% | 1.67% |
| High yield bonds | 2.00% | 4.56% |
| Inflation-indexed bonds | 1.50% | 3.44% |
| Broad U.S. equities | 28.00% | 8.53% |
| Developed foreign equities | 13.25% | 6.83% |
| Emerging market equities | 6.50% | 9.95% |
| Private equity | 9.00% | 12.40% |
| Hedge funds/Absolute return | 12.50% | 4.68% |
| Real estate (property) | 2.00% | 6.91% |
| Commodities | 0.50% | 5.45% |
| Global debt ex U.S. | 5.00% | -0.25% |
| REIT | 5.25% | 5.63% |
| | <u>100.00%</u> | |

Discount Rate -- The discount rate used to measure the pension liabilities of PERS was 3.96% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of Net Pension Liability -- the following presents the net pension liability of PERS calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

| | At 1% Decrease | At current discount rate | At 1% Increase |
|------|----------------|--------------------------|----------------|
| PERS | \$49,040,799 | \$40,755,248 | \$33,171,779 |

Plan Fiduciary Net Position -- Detailed information about the pension plan's fiduciary net position is available in a separately issued financial report for the State of New Jersey Public Employees Retirement System.

14. Post-Employment Healthcare Plan (continued)

The Authority's annual OPEB cost, the percentage of annual OPEB cost, contributions to the Plan, and the net OPEB obligation for the fiscal year ended December 31, 2016, 2015 and 2014 were as follows:

| Ended December 31, | OPEB Cost | Authority Contribution | OPEB Cost Contributed | OPEB Obligation |
|--------------------|--------------|------------------------|-----------------------|-----------------|
| 2016 | \$ 4,390,549 | \$ 1,833,895 | 41.80% | \$ 28,013,343 |
| 2015 | 4,605,357 | 1,510,453 | 32.80% | 24,732,351 |
| 2014 | 1,590,800 | 397,700 | 25.00% | 8,892,115 |

Funded status and funding progress: As of December 31, 2016, the date of the most recent actuarial valuation, the accrued liability for benefits was \$45,349,707; the unfunded actuarial accrued liability (UAAL) was \$46,209,250. The covered payroll (annual payroll of active employees covered by the plan) was \$6,500,000 and the ratio of the UAAL to the covered payroll was 711%. The value of the assets in the fund as of December 31, 2016 is zero (based on the latest actuarial valuation) since benefit is unfunded. Valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about mortality and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress presents multi-year trend information as it becomes available and will show whether the value of plan assets is increasing or decreasing over time relative to the accrued liabilities for benefits.

| Actuarial Valuation Date | Actuarial Value of Assets OPEB Cost (a) | Actuarial Accrued Liability Projected Unit Credit (b) | Unfunded Actuarial Accrued Liability (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | Unfunded Actuarial Liability as a Percentage of Covered Payroll (b-a)/c |
|--------------------------|---|---|--|--------------------|---------------------|---|
| 1/1/2016 | - | 46,209,250 | 46,209,250 | 0% | 6,500,000 | 711% |
| 1/1/2015 | - | 45,962,357 | 45,962,357 | 0% | 6,624,686 | 694% |
| 1/1/2013 | - | 17,759,000 | 17,759,000 | 0% | 7,192,000 | 247% |

Methods and assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of benefit costs paid by the employer to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in estimated accrued liabilities and the estimated value of assets, consistent with the long-term perspective of the calculations. In the December 31, 2014, 2015 and 2016 valuations, the Projected Unit Credit Cost Method were used. The service cost was determined for each active employee as the actuarial present value of benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan's benefit formula. This allocation is based on each individual's service between the date of hire and date of full benefit eligibility. The assumptions include a discount rate of 4.5%. Males are assumed to be three years older than females unless actual spouse date of birth information was provided. Surviving dependents of the NJMC who elect coverage receive the same subsidy as retirees. Surviving dependents of the NJSEA may elect coverage but pay 100% of the cost.

The amortization cost for the Unfunded Actuarial Accrued Liability is a level percentage of payroll for a period of thirty years. The Authority has elected an open amortization period.

13. Public Employee Retirement System (continued)

Additional Information Related to the Local Group:

| | |
|---|------------------|
| Collective deferred outflows of resources | \$8,685,338,380 |
| Collective deferred inflows of resources | \$870,133,565 |
| Collective net pension liability | \$29,617,131,759 |

Authority's portion 0.1376070074%

Collective pension expense for the Local Group for the measurement period ended June 30, 2016 is \$2,830,763,540.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at June 30, 2016, 2015 and 2014 is 5.57, 5.72 and 6.44 years, respectively.

14. Post-Employment Healthcare Plan

Plan Description: Employees who retire from the Authority may be eligible for subsidized postemployment medical and prescription drug benefits based on the number of years of service completed. Certain retirees are eligible for Medicare Part B premium reimbursement. No subsidized coverage for dental, vision or life insurance is available. Medical coverage, including prescription drugs as part of the medical plan, is offered to pre-65 and post-65 retirees on a fully insured basis through the New Jersey State Health Benefits Program for Local Government Employer Groups. Currently, individuals participate in the NJ Direct 10 plan or the NJ Direct 15 plan.

Funding Policy: Contribution rates for future retirees will be based on the State of New Jersey's contribution formula with implementation of Chapter 76. Contributions are calculated using a varying formula based on the retiree's base salary at retirement with a minimum contribution of 1.5% of base salary. Active employees hired prior to implementation of Chapter 76 (June 28, 2011) with less than twenty (20) years of service at implementation will have their contribution phased in over a four (4) year period. Employees hired on or after June 28, 2011 are seventeen (17%) of the benefit cost (the Authority pays 83% of the cost).

Annual OPEB cost and net OPEB obligation: The Authority's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the Projected Unit Credit Cost Method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years, which represents the estimated remaining life of the Plan. For the fiscal year ended December 31, 2016, the Authority's annual OPEB cost (expense) of \$4,390,549 was \$2,116,903 more than the ARC due to interest on the unfunded ARC, and an adjustment to the ARC. The following table shows the components of the Authority's annual OPEB cost for the year, the amount that actually contributed to the Plan and changes in the Authority's net OPEB obligation to the Plan for the year ended December 31, 2016:

| | |
|---|----------------------|
| Annual Required Contribution (ARC) | \$ 2,273,646 |
| Interest on unfunded ARC | 543,470 |
| Adjustment to the ARC | 1,573,433 |
| Annual OPEB cost | <u>4,390,549</u> |
| Less: contributions made/funded | 1,833,895 |
| Unfunded ARC | <u>2,556,654</u> |
| Net OPEB obligation - beginning of year | 24,732,351 |
| Net OPEB obligation - end of year | <u>\$ 27,289,005</u> |

14. Post-Employment Healthcare Plan (continued)

As shown in Footnote 2(u), the Authority has restated net position related to the NJSEA Enterprise Fund's OPEB liability. In 2012, it was reported that this liability was assumed by the State of New Jersey. It was subsequently discovered that the liability had not been assumed by the State of New Jersey and that it was the liability of the Authority.

15. Pollution Remediation Costs

Effective 2008, pollution remediation costs were recognized as a liability on the Statements of Financial Position and an operating expense provision was made in the Statements of Revenues, Expenses and Changes in Net Position in accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The remediation involves current and future activities related to testing, recovery, and cleanup of soil, subsurface water and ground level streams at various Authority sites. Contaminated sites include Meadowlands-Xanadu, the new stadium area, and the Meadowlands and Monmouth race tracks. The Authority estimates the cost to be \$5,196,000. The total payments made since 2007 were \$2,846,000, and charged to the Statements of Revenues, Expenses and Changes in Net Position in each respective year. Estimated future expense for environmental remediation is \$3,005,000, and is reflected on the Consolidated Statement of Financial Position. Estimated recovery related from remediation reduces the measurement of this liability. There is no expected remediation recovery on the above sites.

Methods and assumptions used included historical data and engineering estimates. The pollution remediation liability is an estimate and is subject to changes resulting from price increases or reductions, technology, or changes in applicable laws and regulations.

16. Closure and Post Closure Requirements

The Authority has set aside funds for closure and post-closure for its landfills. In the event the monies in the statutory accounts are not sufficient, the State of New Jersey will address any future liabilities for closure and post-closure for its landfills. The assumption of this liability by the State occurred in CY2003, when the Authority transferred \$50 million from its closure and post-closure accounts to the State's General Fund to meet its statutory obligations under the New Jersey State 2003-2004 budget.

17. Keegan Landfill

NJSEA's lease with the Town of Kearny for the Keegan Landfill property expired in June 2016. Negotiations between the parties for an extension of the lease failed. NJSEA filed an action to condemn the Keegan Landfill property. The Superior Court of New Jersey affirmed the NJSEA's right to condemn the landfill after a challenge was made by the Town of Kearny. The Town has subsequently appealed the court's decision. The appeal remains ongoing. Simultaneously, proceedings to determine the value of the landfill relative to the condemnation remain ongoing. The NJSEA's expert appraisal set a value of \$1.8M for the property. Condemnation commissioners appointed by the court valued the property at \$7.8M in a non-binding process, which was appealed by the NJSEA. A trial date is anticipated to be held after the appeal of the right to condemn has been decided. As these legal matters proceed, operations at the landfill continue. The NJSEA received a Temporary Certificate of Authority to Operate (TCAO) for the landfill, which would permit operations up to 100 ft. The Town of Kearny has filed a request for an adjudicatory hearing on the TCAO.

18. Meadowlands Area Grants for Natural and Economic Transformation (MAGNET)

In calendar year 2006, the MAGNET Program was launched. The intention of the MAGNET is to enhance the existing Municipal Aid Program (MAP), by ensuring that monies are set aside for tax relief incentives for District municipalities. A detailed budget outlining the amounts appropriated for MAP, environmental economic development and capital improvements initiatives is currently in place. As of December 31, 2016, the balance in the MAGNET fund was \$2,332,454, of which \$1,466,497 was committed.

19. Interfund Balances and Activity

Balances due to/from other funds at December 31, 2016 consist of the following:

| Due from Other Funds | Fund | Due to Other Funds |
|---------------------------|----------------------------------|---------------------|
| Governmental Funds | | |
| \$ 653,053 | General Fund | \$ 3,610,062 |
| 295,629 | Environmental Center | 141,549 |
| 140,301 | MAGNET Study | 101,521 |
| Enterprise Fund | | |
| 198,580 | Solid Waste | 444,691 |
| 3,469,761 | NJSEA Enterprise Fund | |
| Fiduciary Funds | | |
| 6,247 | Mitigation Trust | 112,555 |
| 30,662 | Third Party Escrows | |
| | Transportation Planning District | 390,054 |
| <u>\$ 4,800,432</u> | Total | <u>\$ 4,800,432</u> |

20. Risk Management

Property and Liability Insurance

The Authority maintains commercial insurance coverage for property, liability and surety bonds that covers the risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage.

New Jersey Unemployment Compensation Insurance

The Authority has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the Authority is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Authority is billed quarterly for amounts due to the State. There were no reimbursements which were required to be paid to the State for the current year.

21. Commitments and Contingencies

The Authority is exposed to risks of losses related to injuries to employees. The Authority has established a risk management program to account for and finance its uninsured risks of loss related to workmen's compensation. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Claims are based on actuarial valuation.

21. Commitments and Contingencies (continued)

Workmen's compensation claims liability, claims incurred and claims paid are provided below.

Reconciliation of Workmen's Compensation Claims Liability

| | Year Ended December 31, | |
|----------------------------------|-------------------------|---------------------|
| | 2016 | 2015 |
| Claims - January 1 | \$ 9,507,729 | \$ 11,364,674 |
| (Decrease)/Increase in provision | 959,450 | 468,212 |
| Claims paid | (1,759,295) | (1,163,079) |
| Claims - December 31 | <u>8,707,984</u> | <u>10,670,807</u> |
| Less: current portion | <u>1,759,295</u> | <u>1,163,078</u> |
| Long term liability | <u>\$ 6,948,689</u> | <u>\$ 9,507,729</u> |

On June 30, 2005, the Authority entered into a ground lease and related project agreements for development of the Xanadu Project site, an approximately 5.0 million square mixed-use project on approximately 104 acres at the Meadowlands Sports Complex. Through March 2006, the Authority received pre-payments of ground rent in the amount of \$160,000,000. In 2005, the Authority used \$26,800,000 of the prepaid ground rent to purchase the wetland mitigation bank rights on the Empire Tract. The Authority also used \$37,190,000 to defuse tax-exempt bonds attributable to the Meadowlands Xanadu Project site. Expenses associated with the project that were previously deferred were expensed in 2005. For GAAP purposes revenue will be realized by amortizing the up front payment over 18 years. American Dream's developer, Ameream, LLC, has announced that the complex will be anchored by department stores Saks Fifth Avenue and Lord & Taylor. The complex's many scheduled features include indoor amusement and water parks, a movie theater complex, an observation wheel, an indoor ski and snowboarding slope, and numerous restaurants. The developer has estimated a Spring 2019 opening.

At year-end approximately \$234,000 in current assets and liabilities were related to funds received from the State to administer the Aquarium Project. The activity in the fund created for this purpose has no effect on the Authority's revenues or expenses.

On June 14, 2004, the Authority entered into a Participation agreement to license and operate an account wagering system in New Jersey pursuant to the Off-Track and Account Wagering Act (P.L. 201, c. 109) and the regulations promulgated by the New Jersey Racing Commission. Under the agreement the Authority began operating an on-line account wagering system and has contributed 70% of start-up costs for the project, appointed an Operating Board and conducts and accounts for all day-to-day operations in return for 70% of available net project revenues or losses as defined by the agreement.

The Authority's 70% financial interest was transferred to the New Meadowlands Racetrack, (35%) and the New Jersey Thoroughbred Horsemen's Association, (35%) as part of a long term lease agreement to assume the operating rights of the racetracks and off-track wagering sites.

On October 21, 2009, the Authority undertook a project consisting of construction of a new storm water basin and to purchase equipment for the project in order to alleviate storm water runoff at Morimoto Park Racetrack. The total cost for the equipment and the project is estimated at \$26,500,000, which includes capitalized interest, debt service and administrative expenses, and will be financed through loans from the New Jersey Environmental Infrastructure Trust and the New Jersey Department of Environmental Protection. The Borough of Oceanport applied for the project loan (not to exceed \$23,500,000), and the Authority will apply for the equipment loan (not to exceed \$850,000) with the above financing authorities. The Authority will pay the Borough a special assessment that is substantially similar to the Borough's loan repayment schedule, and will manage the project at its own cost. The project was completed in 2012 and repayment on the loans began in 2010 and ends in 2029.

22. Concentration of Risk

The State of New Jersey appropriated and remitted to the Authority \$15 million in state aid. This amount is used to fund the General Fund operations. This state aid offsets 63% of the Authority's 2016 operating loss.

23. Subsequent Events

On April 20, 2017, the NJSEA entered into a settlement agreement with Feld Entertainment ("Feld"). Feld alleged various breaches of contract and threatened litigation in connection with the closure of the Izod Center in April 2015. The settlement amount of \$1,900,000, is considered to be a recognized event under the GASB accounting standards (Codification 2250.112), whereby the settlement of litigation would require adjustment of the financial statements if the event that gave rise to the litigation had taken place prior to the statement of net position date. Additionally, under GASB accounting standards (Codification C50.110), a governmental entity should report an estimated loss from a claim as an expenditure and as a liability if both the information is available before the financial statements are issued indicates that it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. As the settlement agreement has been executed and the amount of the claim is known, the liability has been included in the Authority's financial statements as of December 31, 2016.

On June 29, 2017, the NJSEA authorized the issuance of Limited Obligation Grant Revenue Bonds in the aggregate principal amount of \$287,000,000 (the "ERGG Bonds"), in order to provide financing for a portion of the costs of developing the American Dream Project. The ERGG Bonds are special limited revenue obligations of the Authority payable from grants received by the Authority pursuant to a State Economic Redevelopment and Growth Incentive Grant Agreement awarded to the developer of the American Dream Project. These bonds have been issued through The Public Finance Authority, a unit of Wisconsin government and body corporate and distinct from, and independent of, the State of Wisconsin. The Authority is reviewing whether these bonds can be treated as conduit debt.

On June 29, 2017, the NJSEA authorized the issuance of Limited Obligation PILOT Revenue Bonds in the aggregate principal amount of \$900,000,000 (the "PILOT Bonds"), in order to provide financing for a portion of the costs of developing the American Dream Project. The PILOT Bonds are special limited revenue obligations of the Authority payable from PILOTs received by the Authority pursuant to a Financial Agreement between the developer of the American Dream Project, the Borough of East Rutherford and the Authority. These bonds have been issued through The Public Finance Authority, a unit of Wisconsin government and body corporate and public separate and distinct from, and independent of, the State of Wisconsin. The Authority is reviewing whether these bonds can be treated as conduit debt.

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
(A Component Unit of the State of New Jersey)
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Budgetary Bases (1)
December 31, 2016

| | Original Budget | Budget Transfers/Adjustments | Final Budget | Actual | Variance |
|--|----------------------|------------------------------|----------------------|-----------------------|-----------------------|
| Operating Revenues: | | | | | |
| East Rutherford | | | | | |
| NJSECO Ground Lease | \$ 6,250,000 | \$ - | \$ 6,250,000 | \$ 6,250,000 | \$ - |
| State Shared Services | \$ 198,456 | \$ - | \$ 198,456 | \$ 249,202 | \$ 50,746 |
| Arena Revenue | 207,744 | | 207,744 | 392,240 | 184,496 |
| Morimoto Park Revenues/Leases | 2,342,342 | | 2,342,342 | 2,240,226 | (102,116) |
| Reimbursements | | | | 8,838,838 | 8,838,838 |
| (2) Convention Center | | | | 2,603,123 | 2,603,123 |
| (2) Tourism Tax Revenue | | | | 3,962,261 | 3,962,261 |
| Misc. Other | 3,967,181 | | 3,967,181 | 4,002,029 | 34,848 |
| Total - East Rutherford | \$ 18,110,563 | \$ - | \$ 18,110,563 | \$ 33,337,674 | \$ 15,227,111 |
| Lyndhurst | | | | | |
| Lease Revenues | \$ 1,433,000 | \$ - | \$ 1,433,000 | \$ 1,263,067 | \$ (169,933) |
| Land Use Fee Income | 750,000 | | 750,000 | 842,203 | 92,203 |
| Overhead Reimbursement | | | | 4,897,706 | 4,897,706 |
| Misc. Other | 110,000 | | 110,000 | 958,568 | 848,568 |
| Total Operating Revenue - Lyndhurst | \$ 2,293,000 | \$ - | \$ 2,293,000 | \$ 7,001,544 | \$ 4,708,544 |
| Solid Waste Revenue | \$ 16,800,000 | \$ - | \$ 16,800,000 | \$ 14,399,818 | \$ (2,400,182) |
| Total Revenues | \$ 37,202,563 | \$ - | \$ 37,202,563 | \$ 60,039,272 | \$ 22,836,709 |
| Expenditures: | | | | | |
| East Rutherford | | | | | |
| Salaries/Fringe | \$ 5,578,090 | \$ - | \$ 5,578,090 | \$ 4,578,793 | \$ 999,297 |
| Arena Event Expenses | 1,283,000 | | 1,283,000 | 2,571,963 | (1,288,963) |
| Utilities | 1,868,835 | | 1,868,835 | 1,943,014 | 74,179 |
| New Jersey Racing Commission | 2,000,000 | | 2,000,000 | 2,457,966 | (457,966) |
| Professional Services | 1,500,000 | | 1,500,000 | 1,678,723 | (178,723) |
| Pension | 1,600,000 | | 1,600,000 | 1,582,503 | 17,497 |
| Workers Compensation | 970,270 | | 970,270 | 1,002,120 | (31,850) |
| Repairs/Maintenance - Building/Other | 2,841,188 | | 2,841,188 | 6,157,317 | (3,316,129) |
| Misc. Other | 2,841,188 | | 2,841,188 | 2,841,188 | |
| Total - East Rutherford | \$ 17,739,376 | \$ - | \$ 17,739,376 | \$ 30,773,661 | \$ 8,123,314 |
| Lyndhurst | | | | | |
| Salaries/Fringe | \$ 7,566,133 | \$ - | \$ 7,566,133 | \$ 7,864,232 | \$ (298,099) |
| Services | 1,278,550 | | 1,278,550 | 1,199,403 | 79,147 |
| Capital/Maintenance | 800,000 | | 800,000 | 68,846 | 731,154 |
| Repairs/Maintenance | 450,000 | | 450,000 | 635,594 | (185,594) |
| Recreation/Partnership | 200,000 | | 200,000 | 500,000 | (300,000) |
| Misc. Other | 357,500 | | 357,500 | 971,012 | (613,512) |
| Total - Lyndhurst | \$ 10,712,183 | \$ - | \$ 10,712,183 | \$ 11,259,437 | \$ (547,254) |
| Solid Waste Operating Expenses | \$ 14,517,743 | \$ - | \$ 14,517,743 | \$ 17,991,158 | \$ (3,473,415) |
| Total Expenditures | \$ 42,974,204 | \$ - | \$ 42,974,204 | \$ 60,004,306 | \$ (2,065,032) |
| Total Operating Gain or Loss | (5,771,641) | \$ - | (5,771,641) | (11,965,034) | (6,193,393) |
| Other revenues and expenditures: | | | | | |
| State Appropriations | \$ 15,000,000 | \$ - | \$ 15,000,000 | \$ 15,000,000 | \$ - |
| Grants/Reimbursement | 2,532,521 | | 2,532,521 | 2,467,880 | 64,641 |
| Feld Settlement | (1,500,000) | | (1,500,000) | (1,500,000) | |
| Payment by Law of Taxes & CAFO | (11,540,000) | | (11,540,000) | (11,300,715) | 239,285 |
| Total non-operating revenues and expenses | \$ 2,492,521 | \$ - | \$ 2,492,521 | \$ 5,707,165 | \$ 3,214,644 |
| Excess (deficit) of revenues over expenditures | \$ - | \$ - | \$ - | \$ (5,247,944) | \$ (5,247,944) |
| Amounts report for governmental activities in the statement of revenues, expenditures and changes in fund balance are different because: | | | | | |
| Discretionary expenses | | | | (864,264) | |
| Pension Obligation | | | | (1,237,576) | |
| Post-employment healthcare benefits, other than pension copayment | | | | (1,156,065) | |
| Capital outlay | | | | 46,846 | |
| Excess (deficit) of revenues over expenditures | | | | (8,294,633) | |
| Fund balance, beginning of year (restated) | | | | \$ 187,252,575 | |
| Fund balance, end of year governmental funds basis | | | | \$ 178,957,941 | |

(1) NJSEA policy is to prepare a zero-budget for its operations and does not prepare budgets for plant funds.
(2) Without Convention Center bonds are not a budgeted by NJSEA. Budgets for Without Convention Center are prepared by the Greater Woodlands Tourism Improvement & Development Authority (GWTIDA).

| | 2016 | 2015 | 2014 |
|--|---------------|---------------|---------------|
| Authority's proportion of the net pension liability (asset) | 0.1376070% | 0.1714734% | 0.1669715% |
| Authority's proportionate share of the net pension liability (asset) | \$ 40,755,248 | \$ 38,492,333 | \$ 33,138,370 |
| Authority's covered-employee payroll | \$ 7,963,473 | \$ 12,049,996 | \$ 11,446,921 |
| Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 511.78% | 319.44% | 289.50% |
| Plan fiduciary net position as a percentage of the total pension liability - local group | 40.14% | 47.93% | 48.72% |

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.



Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Independent Auditors' Report

Board of Commissioners
 New Jersey Sports and Exposition Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the New Jersey Sports and Exposition Authority ("the Authority"), as of and for the year then ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 30, 2017. Our report qualifies our opinion on the business-type activities and the NJSEA Enterprise Fund because the Authority did not provide a fair value measurement regarding the closure of its entertainment arena located in East Rutherford, New Jersey and therefore, the amount of any impairment loss cannot be determined.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

| | 2016 | 2015 | 2014 |
|--|--------------|--------------|---------------|
| Contractually required contribution | \$ 1,222,481 | \$ 1,474,211 | \$ 1,527,382 |
| Contributions in relation to the contractually required contribution | (1,222,481) | (1,474,211) | (1,527,382) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - |
| Authority's covered-employee payroll | \$ 6,248,636 | \$ 7,963,473 | \$ 12,049,996 |
| Contributions as a percentage of covered-employee payroll | 19.57% | 18.51% | 12.68% |

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Notes to Required Supplementary Information

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumption

The inflation and discount rates used to measure the total pension liability were as follows:

| Measurement Date | Discount Rate | Inflation Rate |
|------------------|---------------|----------------|
| June 30, 2016 | 3.98% | 3.08% |
| June 30, 2015 | 4.80% | 3.04% |
| June 30, 2014 | 5.39% | 3.01% |

Board of Commissioners
 New Jersey Sports and Exposition Authority
 Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Livingston, NJ
 November 30, 2017

RESOLUTION 2017-37

**RESOLUTION AUTHORIZING NJSEA STAFF TO
INVESTIGATE THE REDEVELOPMENT POTENTIAL OF PROPERTY
IDENTIFIED AS BLOCK 463, LOTS 1 & 2, BLOCK 466, LOTS 1, 5, 6, 7, 8 & 9,
AND BLOCK 480, LOTS 1, 1.01, 1.03, 6, 9 & 9.01
IN THE TOWNSHIP OF NORTH BERGEN, NEW JERSEY
File No. SP-751**

WHEREAS, N.J.S.A. 5:10A-7(j) authorizes the New Jersey Sports and Exposition Authority (NJSEA) to determine the existence of areas in need of redevelopment or rehabilitation and to approve or undertake redevelopment projects therein; and

WHEREAS, N.J.A.C. 19:3-5.1 *et seq.* provides the regulations governing redevelopment within the Hackensack Meadowlands District, including the process and criteria for establishing redevelopment areas and the preparation and adoption of redevelopment plans; and

WHEREAS, a petition dated October 27, 2017, was received from David Deutsch of North Bergen Liberty Generating, LLC, requesting that the NJSEA investigate the redevelopment potential of the properties identified as Block 463, Lots 1 & 2, Block 466, Lots 1, 5, 6, 7, 8 & 9, and Block 480, Lots 1, 1.01, 1.03, 6, 9 & 9.01, in the Township of North Bergen; and

WHEREAS, the NJSEA staff must request authorization from the NJSEA Board of Commissioners to conduct an investigation of areas that may potentially be deemed in need of redevelopment; and

WHEREAS, the NJSEA staff requests authorization to conduct an investigation of the properties identified at Block 463, Lots 1 & 2, Block 466, Lots 1, 5, 6, 7, 8 & 9, and Block 480, Lots 1, 1.01, 1.03, 6, 9 & 9.01, in the Township of North Bergen, to examine their redevelopment potential; and

WHEREAS, the NJSEA staff has compiled preliminary information regarding the subject properties in accordance with the requirements of N.J.A.C. 19:3-5.2 to support this request; and

WHEREAS, the NJSEA staff reserves the right to include additional properties to be investigated that were not identified in the petition, as per N.J.A.C. 19:3-5.3(f); and

WHEREAS, the NJSEA staff requests authorization to prepare an "In Need of Redevelopment Report" pursuant to N.J.A.C. 19:3-5.4, and to hold a public hearing to obtain public comment on the report and its findings.

NOW THEREFORE BE IT RESOLVED, that the NJSEA staff is hereby authorized to conduct an investigation of the properties identified as Block 463, Lots 1 & 2, Block 466, Lots 1, 5, 6, 7, 8 & 9, and Block 480, Lots 1, 1.01, 1.03, 6, 9 & 9.01, in the Township of North Bergen, to examine their redevelopment potential.

BE IT FURTHER RESOLVED, that the NJSEA staff is hereby authorized to prepare an "In Need of Redevelopment Report" pursuant to N.J.A.C. 19:3-5.4 and hold a public hearing to obtain public comment on the report and its findings.

I hereby certify the foregoing to be a true copy of the Resolution adopted by the New Jersey Sports and Exposition Authority at their meeting of December 14, 2017.



Ralph J. Marra, Jr., Esq.
Assistant Secretary



MEMORANDUM

To: NJSEA Board Members and Wayne Hasenbalg, President/CEO

From: Sara J. Sundell

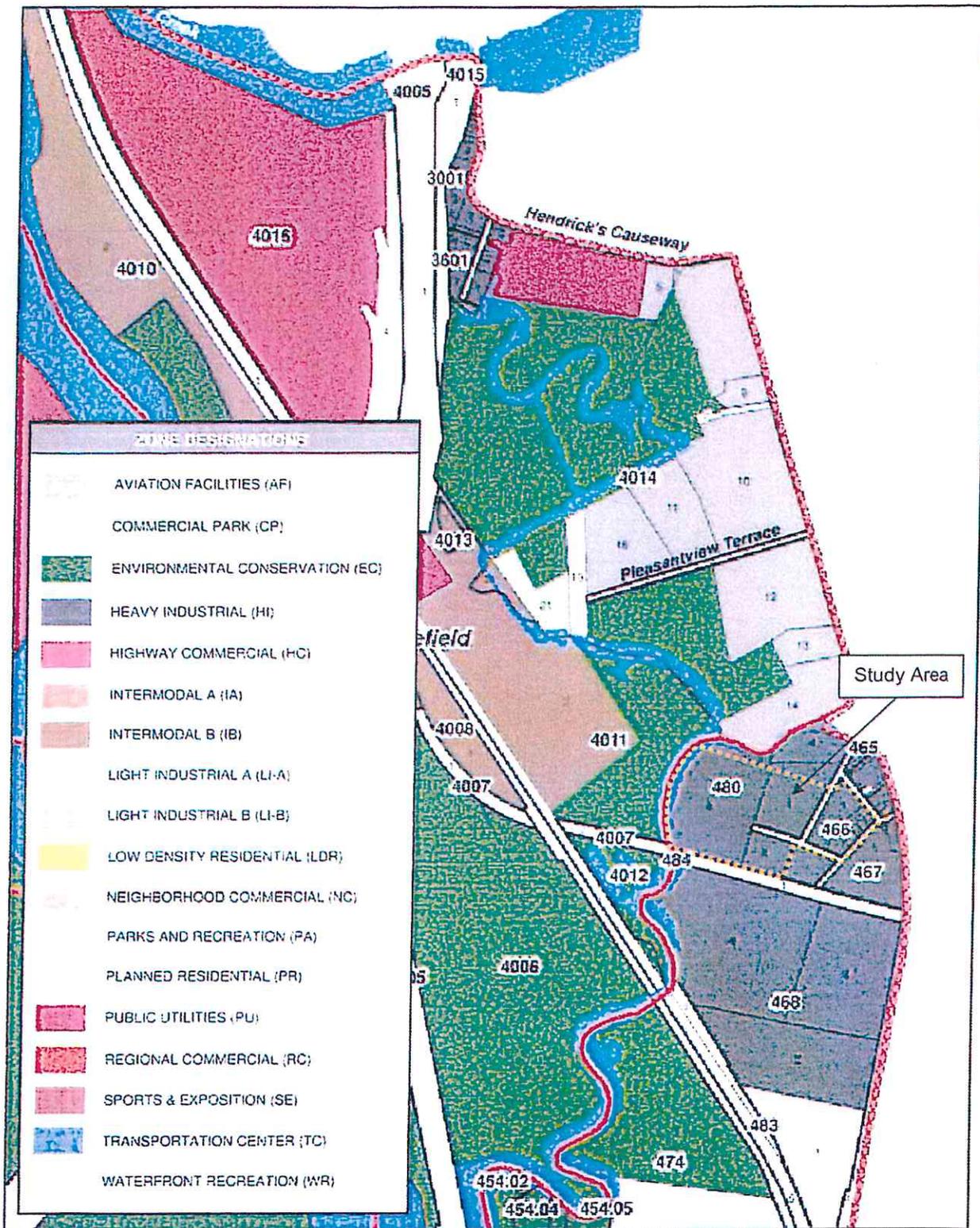
Date: December 14, 2017

Subject: *Request for Authorization to Conduct a Redevelopment Investigation of Properties in the Township of North Bergen (File No. SP-751)*

On July 3, 2017, the New Jersey Sports and Exposition Authority (NJSEA) received a petition from David Deutsch of North Bergen Liberty Generating, LLC, requesting that the NJSEA investigate the redevelopment potential of a series of properties located at in the vicinity of Railroad Avenue, Fairview Avenue and 95th Street, identified as Block 463, Lots 1 & 2, Block 466, Lots 1, 5, 6, 7, 8 & 9, and Block 480, Lots 1, 1.01, 1.03, 6, 9 & 9.01, in the Township of North Bergen.

The NJSEA staff undertook a preliminary analysis of the subject properties and prepared a summary report of its findings. Pursuant to N.J.A.C. 19:3-5.2, the NJSEA staff requests authorization from the Board of Commissioners to conduct an investigation of the redevelopment potential of the properties identified as Block 463, Lots 1 & 2, Block 466, Lots 1, 5, 6, 7, 8 & 9, and Block 480, Lots 1, 1.01, 1.03, 6, 9 & 9.01, in the Township of North Bergen, to determine if they contain the conditions to be designated an area in need of redevelopment. The NJSEA staff also reserves the right to include additional properties in the vicinity to be investigated that were not originally identified in the petition submitted by North Bergen Liberty Generating, LLC. The results of this investigation will be compiled in an "In Need of Redevelopment Report," in accordance with the requirements of N.J.A.C. 19:3-5.4.

Authorization is also requested to hold a public hearing to obtain public comment on this report and its findings.



 - Proposed Redevelopment Study Area

Proposed Redevelopment Area Planning Study
North Bergen Liberty Generating, LLC
North Bergen, Hudson County, New Jersey

Figure 6. Zoning Map

Map Source: NJSEA, January 2009



**PRELIMINARY INFORMATION TO SUPPORT THE
REQUEST FOR AUTHORIZATION TO INVESTIGATE THE
REDEVELOPMENT POTENTIAL OF THE
NORTH BERGEN LIBERTY GENERATING STUDY AREA IDENTIFIED AS
BLOCK 463, LOTS 1 & 2, BLOCK 466, LOTS 1, 5, 6, 7, 8 & 9,
BLOCK 480, LOTS 1, 1.01, 1.03, 6, 9 & 9.01
IN THE TOWNSHIP OF NORTH BERGEN, NEW JERSEY
FILE NO. SP-751**

In a letter dated October 27, 2017, the New Jersey Sports and Exposition Authority (NJSEA) received a petition from David Deutsch of North Bergen Liberty Generating, LLC, requesting that the NJSEA investigate the redevelopment potential of a series of properties located at in the vicinity of Railroad Avenue, Fairview Avenue and 95th Street, specifically Block 463, Lots 1 & 2, Block 466, Lots 1, 5, 6, 7, 8 & 9, Block 480, Lots 1, 1.01, 1.03, 6, 9 & 9.01, in the Township of North Bergen.

Pursuant to N.J.A.C. 19:3-5.2, the NJSEA staff must request authorization from the Board of Commissioners to conduct an investigation of areas that may potentially be deemed in need of redevelopment. The request must include the following:

1. The block and lot number designation of the properties;
2. The existing zoning and land use of the properties;
3. A map showing the boundaries of the area to be investigated;
4. A description of all existing structures on each site; and
5. A statement indicating why the property may be in need of redevelopment.

The NJSEA staff conducted a preliminary review and field inspection of the subject properties.

The proposed in need of redevelopment investigation area is delineated by an orange boundary line on the Site Aerial Map, noted as Figure 2, as prepared by AKRF. The investigation area is also delineated by a yellow and black boundary line on the Proposed Redevelopment Study Area, noted as Figure 5, also prepared by AKRF. The subject properties within the investigation area have one point of access, Railroad Avenue, which is an extension of Fairview Avenue in the adjacent Borough of Fairview, where it intersects with U.S. Route 1 & 9/Tonnelle Avenue. The northern boundary of the investigation area is Bellman's Creek, which is adjacent to a significant wetland area. Industrial properties, both in operation and vacant, surround the other sides of the investigation area. There are no residential uses in the vicinity of the study area.

The proposed study area listed in the petition is comprised of fourteen (14) tax lots, totaling approximately 21.5 acres in area. The following chart provides the location, property ownership and area of each individual lot within the study area:

| Block | Lot | Property Address | Property Ownership* | Tax Lot Area (acres)* |
|--------------------|------|-------------------------|--|-----------------------|
| 463 | 1 | 9505 Railroad Avenue | Jenna Mac LLC | 0.1157 |
| 463 | 2 | 2400 95th Street | Jenna Mac LLC | 0.0581 |
| 466 | 1 | 9400 Fairview Avenue | DelBuoncammmino & Dialtamura c/o Massaro | 2.44 |
| 466 | 5 | 9401 Railroad Avenue | Jenna Mac LLC** | 0.77 |
| 466 | 6 | 9419 Railroad Avenue | Gold Peak RE LLC** | 0.3 |
| 466 | 7 | 9421 Railroad Avenue | Gold Peak RE LLC | 0.1253 |
| 466 | 8 | 2401 95th Street | Gold Peak RE LLC | 0.2732 |
| 466 | 9 | 2407 95th Street | Gold Peak RE LLC | 0.3673 |
| 480 | 1 | 9401 Fairview Avenue | Millennium Resource Recovery Ltd. | 3.97 |
| 480 | 1.01 | 9401 Fairview Avenue*** | Millennium Resource Recovery Ltd. | 0.5351 |
| 480 | 1.03 | Fairview Avenue | Millennium Resource Recovery Ltd. | 0.0367 |
| 480 | 6 | 2531 94th Street | Millennium Resource Recovery Ltd. | 9.62 |
| 480 | 9 | 2501 94th Street | Millennium Resource Recovery Ltd. | 2.33 |
| 480 | 9.01 | 2501 94th Street**** | Millennium Resource Recovery Ltd. | 0.508 |
| Total area (acres) | | | | 21.4494 |

* Source: NJ Assessment Records Search

** NJSEA records do not indicate the subdivision of Block 466, Lot 5 into Lots 5 and 6.

*** Vacation of a portion of Fairview Avenue

**** Vacation of a portion of 94th Street

The study area is located in the Hackensack Meadowlands District's Heavy Industrial zone, as shown on the Zoning Map, noted as Figure 6, as prepared by AKRF. To the north of the investigation site is an area zoned Environmental Conservation. The other sides of the area are also within the Heavy Industrial zone.

Several of the properties listed are vacant, with no structures present and only pavement or undeveloped land, including Block 463, Lots 1 and 2, and Block 466, Lots 6 through 9. These lots have paved surfaces previously utilized as parking and materials storage yards and do not appear to be in active use. Buoncammino Park, a privately-held Italian heritage club, is located on Block 466, Lot 1, and contains a number of small structures and recreation facilities. These facilities appear to be utilized sporadically for special events. Block 466, Lot 5, contains a vacant warehouse and administrative buildings that also appear to be vacant. The properties located within Block 480, including Lots 1, 1.01, 1.03, 6 and 9.01, are part of a construction debris recycling facility. Typical structures located on these properties include office and storage trailers for employees working on the site. Block 480, Lot 9, contains a maintenance garage and a transfer station associated with an NYS&W recycling transfer operation.

According to the petitioner, the properties located within the delineated study area are not listed in the New Jersey Known Contaminated Sites list or on the CERCLA database. However, three properties in the immediate vicinity are on the known contaminated sites list. There is also evidence of illegal dumping on several of the properties within the investigation area and in the surrounding area.

The investigation area, as delineated by the petitioner, contains buildings and improvements that are vacant and parcels that are underutilized. This may be due, in part, to the age and condition of the structures. In addition, access to the subject area is limited to one street, which may be limiting interest in new development opportunities. The subject area is also remote from the majority of developed industrial areas in the municipality and adjacent towns, which increases the potential for illegal dumping and other safety hazards. As such, the investigation area may benefit from a designation as an area in need of redevelopment and a resulting redevelopment plan to advance the development potential of the land.

Conclusion:

Based on the above information, the NJSEA staff requests authorization to conduct a more detailed study of the subject properties in order to analyze their redevelopment potential. The findings of this investigation will be compiled into an "In Need of Redevelopment Report" in accordance with the requirements of N.J.A.C. 19:3-5.4, and a public hearing will be held to obtain public comment on the report and its findings.

RESOLUTION 2017-38

**RESOLUTION AUTHORIZING THE PUBLICATION OF A
NOTICE OF ADOPTION FOR THE REZONING OF
BLOCK 451, LOTS 19.01 AND 20.01
IN THE TOWNSHIP OF NORTH BERGEN
(File No. SP-742)**

WHEREAS, the New Jersey Sports and Exposition Authority (NJSEA) is authorized by N.J.S.A. 5:10A-1 et seq., specifically N.J.S.A. 5:10A-7(b) to adopt codes and standards regarding the zoning and rezoning of lands within the Hackensack Meadowlands District (HMD); and

WHEREAS, the Official Zoning Map may be amended from time to time in accordance with N.J.A.C. 19:3-1.3 et seq. upon submittal of a petition to the NJSEA; and

WHEREAS, on January 11, 2017, the NJSEA received a petition from the property owner, Hanover Holdings, LLC, requesting a rezoning of an 18.06-acre parcel, identified as Block 451, Lots 19.01 and 20.01, in the Township of North Bergen, New Jersey; and

WHEREAS, Hanover Holdings, LLC, the property owner, is seeking to rezone Block 451, Lots 19.01 and 20.01, from its Official Zoning Map designation of Environmental Conservation (EC) to the Highway Commercial (HC) zone; and

WHEREAS, the NJSEA Board of Commissioners authorized the NJSEA staff on February 16, 2017, by Resolution 2017-05, to initiate the rulemaking procedure for the proposed rezoning of Block 451, Lots 19.01 and 20.01; and

WHEREAS, a Notice of Proposal was filed with the Office of Administrative Law (OAL) for publication in the July 3, 2017, issue of the New Jersey Register (NJR); and

WHEREAS, a public hearing was held at the NJSEA Offices on July 25, 2017, to receive comments on the proposed rezoning; and

WHEREAS, during the public hearing, the petitioner presented an amendment to the proposed rezoning plan, reducing the scope of the proposed rezoning to a portion of the subject property; and

WHEREAS, comments and objections were received from two individuals and/or organizations during the public comment period, which ended on September 1, 2017; and

WHEREAS, all comments are listed and NJSEA responses are provided in the Notice of Adoption; and

WHEREAS, the NJSEA staff has included changes to the proposed rezoning resulting from the petitioner's proposed amendment to the rezoning request, which reduces the extent of the property to be rezoned from the entirety of Block 451, Lots 19.01 and 20.01 to a 5.68-acre portion thereof; and

WHEREAS, the Hackensack Meadowlands Municipal Committee (HMMC) approved the proposed Notice of Adoption on December 4, 2017; and

WHEREAS, the NJSEA staff has determined that the proposed rezoning, in particular with the proposed amendment and reduction to the extent of the property to be rezoned, would allow for the commercial development of the upland portion of the subject site while preserving environmentally-sensitive wetlands areas; and

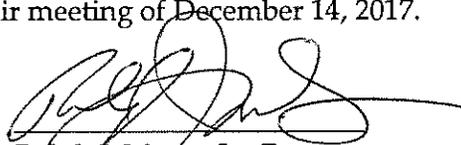
WHEREAS, based on the record in this matter, the staff recommends that the NJSEA Board of Commissioners adopt the proposed amendment to the Official Zoning Map and authorize NJSEA staff to file a Notice of Adoption with OAL; and

WHEREAS, the amendment to the Official Zoning Map will become effective upon publication of the Notice of Adoption in the NJR.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Commissioners of the New Jersey Sports and Exposition Authority hereby adopts the amendment to the Official Zoning Map, changing the zoning designation of a 5.68 acre portion of Block 451, Lots 19.01 and 20.01, in the Township of North Bergen, New Jersey, from Environmental Conservation to Highway Commercial.

BE IT FURTHER RESOLVED, that the Board of Commissioners of the New Jersey Sports and Exposition Authority hereby authorizes the NJSEA staff to prepare and submit a Notice of Adoption to Office of Administrative Law for publication in the New Jersey Register.

I hereby certify the foregoing to be a true copy of the Resolution adopted by the New Jersey Sports and Exposition Authority at their meeting of December 14, 2017.


Ralph J. Marra, Jr., Esq.
Assistant Secretary



MEMORANDUM

To: NJSEA Board Members and Wayne Hasenbalg, President/CEO

From: Sara J. Sundell

Date: December 14, 2017

Subject: *Resolution Authorizing the Publication of a Notice of Adoption for the Rezoning of Block 451, Lots 19.01 and 20.01 in the Township of North Bergen*

The New Jersey Sports & Exposition Authority (NJSEA) is authorized to adopt codes and standards regarding the zoning and rezoning of lands within the Hackensack Meadowlands District as set forth in N.J.S.A. 5:10A-1 et seq., specifically N.J.S.A. 5:10A-7(b).

On January 11, 2017, the NJSEA received a petition from Hanover Holdings, LLC requesting the rezoning of an 18.06-acre property, identified as Block 451, Lots 19.01 and 20.01, located along New Jersey State Highway Route 3 Ramp A in the Township of North Bergen, New Jersey. The petition proposed rezoning the subject property from Environmental Conservation (EC) to Highway Commercial (HC).

At the Board of Commissioner's meeting on February 16, 2017, the NJSEA staff was authorized, by Resolution No. 2017-05, to proceed with the Notice of Proposal and hold a public hearing regarding the rezoning of Block 451, Lots 19.01 and 20.01.

A Notice of Proposal was filed with the Office of Administrative Law (OAL) and published in the July 3, 2017, issue of the New Jersey Register (NJR). A public hearing to receive comments was held at the NJSEA Offices on July 25, 2017. During the public hearing, the petitioner presented an amendment to the proposed rezoning plan, reducing the scope of the proposed rezoning from the EC zone to the HC zone to only a portion of the subject property that encompasses the on-site uplands, leaving the majority of the delineated wetlands in the EC zone. Comments and objections from two individuals and/or organizations were received by the NJSEA during the public comment period, which ended on September 1, 2017.

As a result of the petitioner's proposed amendment to the rezoning request, the NJSEA staff has included changes to the original rezoning proposal that reduce the total area of property to be rezoned from the EC to HC zone to a total of 5.68 acres. The majority of the amended HC area is comprised of uplands, with the majority of the delineated wetlands on the subject property retaining its EC zoning designation.

On November 9, 2017, the matter was forwarded to the Hackensack Meadowlands Municipal Committee (HMMC) for its consideration. The HMMC approved the proposed amendments to the Official Zoning Map at their meeting on December 4, 2017.

Based upon the record in this matter, the staff is requesting that the NJSEA Board of Commissioners adopt the proposed amendment to the Official Zoning Map that changes the zoning designation of a 5.68-acre portion of Block 451, Lots 19.01 and 20.01, in the Township of North Bergen, New Jersey, from Environmental Conservation to Highway Commercial. It is further requested the NJSEA Board of Commissioners authorize staff to file a Notice of Adoption with the OAL for publication in the NJR. A resolution requesting the same is attached for your consideration.

OTHER AGENCIES

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY

District Zoning Regulations

Official Zoning Map

Block 451, Lots 19.01 and 20.01, in the Township of North Bergen

Adopted Amendment: N.J.A.C. 19:4-3.3

Proposed: July 3, 2017 at 49 N.J.R. 1842(a)

Adopted: _____, 2017 by the New Jersey Sports and Exposition Authority

Ralph J. Marra, Jr., Senior Vice President

Filed: _____, 2017, with changes not requiring additional notice and public comment (see N.J.A.C. 1:30-6.3)

Authority: N.J.S.A. 5:10A-1 et seq., specifically 5:10A-7(b). See also N.J.A.C. 19:3-1.3 and 1.5

Effective Date: _____

Expiration Date: _____

The rule adoption can also be viewed or downloaded from the New Jersey Sports and

Exposition Authority (NJSEA) website at <http://www.njsea.com/njmc/land/public-notices.html>.

Summary

On January 11, 2017, a petition for rezoning was received by the New Jersey Sports and Exposition Authority (NJSEA) from the property owner, Hanover Holdings,

LLC, regarding the property identified as Block 451, Lots 19.01 and 20.01 (subject property), located within the Hackensack Meadows District (HMD or District), in the Township of North Bergen. The subject property is currently zoned Environmental Conservation (EC) with a portion indicated as Right-of-Way (ROW) on the District's Official Zoning Map. The petition requests that the NJSEA rezone the subject property from its existing zoning to Highway Commercial (HC).

The subject property is comprised of two unimproved parcels totaling approximately 18.06 acres and includes 16.54 acres in the EC zone and 1.52 acres indicated as ROW. The ROW portion of the subject property is located along the eastern side of the site and includes a 150-foot-wide easement to PSE&G for electric transmission towers. The easement between a former owner of the subject property and PSE&G was recorded on October 20, 1932, and places certain restrictions regarding the construction of structures within the easement, but allows for crossings of the easement by road, driveway and/or utilities. In accordance with N.J.A.C. 19:4-3.6, the ROW portion of the subject property is deemed to be within the same zone as the abutting property, which is the HC zone for the subject property. The ROW portion of the subject property is not proposed to be rezoned. The attached map depicts the location of the ROW on the property.

The subject property contains 3.57 acres of uplands, which are located predominantly in the center of the property along the northern property line between Lot 20.01 and adjacent Lot 21. A small portion of the 3.57 acres of uplands extends along the northern property line towards the east and provides access to Route 3 Ramp

A, and another small portion of uplands extends into Lot 19.01. Approximately 14.49 acres of wetlands cover the remainder of the site. Access to the subject property from New Jersey State Highway Route 3 Ramp A was granted to the property owner by the NJDOT in 1961, as noted on the "General Property Parcel Map, Route 3, (1953) Section 4, Pleasant Avenue to 8th Street, showing existing right of way and parcels to be acquired, City of Union, Township of North Bergen and Town of Secaucus, County of Hudson," Sheets 1 and 2 of 19, dated February 1961.

The petitioner has provided a Jurisdictional Determination, dated November 8, 2015, from the U.S. Army Corps of Engineers (USACE) that confirms the location of wetlands on a portion of the site. The property was formerly thought to be comprised almost entirely of wetlands. To the north, the subject property is bounded by Block 451, Lot 21, which contains 3.66 acres of uplands and was previously rezoned from the EC zone to the HC zone in 2016 (North Bergen Motel Associates, LLC/Petition for Rezoning, NJSEA File SP-719, 48 N.J.R. 1378(a)). Located directly west and south of the subject property are several lots within the EC zone that are predominantly wetlands.

The EC zone, the current zone designation of Block 451, Lots 19.01 and 20.01, is intended to provide for the preservation and enhancement of the ecological values of wetlands, open water, and adjacent uplands within the District. The zone seeks to provide public access to these areas and encourage scientific and educational study with regard to wetland ecology. The petitioner's planning report states that the proposed rezoning to the HC zone would result in the potential ability of the applicant to develop the on-site uplands, which will contribute to job creation and the economic

vitality of the area, while still protecting adjacent wetlands. The report also states that the development of the subject property, as proposed, would allow for the orderly development of commercial space on uplands. The proposed rezoning is intended to provide for the continued protection of existing, on-site wetlands by concentrating development on the uplands.

The petitioner has indicated a desire to construct a hotel on the subject property, in accordance with the HC zone regulations. Hotels are allowed in the HC zone (per N.J.A.C. 19:4-5.59), but not in the EC zone. Any proposed development in the rezoned area would be subject to the affordable housing requirements set forth by law or court order at the time of zoning certificate application, including the payment of fees associated with the Statewide Non-Residential Development Fee Act (P.L. 2008, c. 46, §§ 32-38), signed into law on July 17, 2008.

At its regularly scheduled meeting of February 16, 2017, the NJSEA Board of Commissioners authorized staff to prepare and submit a Notice of Proposal to the Office of Administrative Law for publication in the New Jersey Register and conduct a public hearing to obtain public input regarding this matter. The Notice of Proposal was published in the New Jersey Register on July 3, 2017, at 49 N.J.R. 1842(a). A public hearing was held on July 25, 2017, at the NJSEA Offices to receive comment on the proposal.

During the course of the public hearing, the petitioner amended their rezoning request to reduce the extent of the rezoning being requested. The original petition requested the rezoning of 18.06 acres, inclusive of 3.57 acres of uplands, which

encompasses all of Block 451, Lots 19.01 and 20.01, and includes 16.54 acres in the EC zone and 1.52 acres indicated as ROW. At the public hearing, a revised request and map were presented for the rezoning of 6.58 acres of the subject property, including the 3.57 acres of uplands, resulting in only a portion of the subject property being rezoned from the EC zone to the HC zone. Taking the existing ROW portion into account, the resulting rezoning area would be 5.68 acres. The NJSEA therefore changes the Official Zoning Map upon adoption to reflect this request. This change continues to apply to property included within the original petition, and the nature of the rezoning proposal is not altered via a reduction of rezoned area on the property to which it shall apply.

Therefore, this change will not require additional notice or public comment.

The public comment period ended on September 1, 2017.

Summary of Hearing Officer's Recommendations and Agency Responses:

A public hearing on this matter was held on July 25, 2017, at the NJSEA Offices. Sara Sundell, P.E., P.P., Director of Land Use Management and Chief Engineer, was the public hearing officer, with Sharon A. Mascaró, P.E., Deputy Director of Land Use Management and Deputy Chief Engineer, and Mia Petrou, P.P., AICP, Senior Planner, also present.

No recommendations were made by Ms. Sundell or NJSEA staff during the hearing. The hearing record is available for inspection in accordance with applicant law by contacting:

Sara J. Sundell, P.E., P.P.

Director of Land Use Management and Chief Engineer

New Jersey Sports and Exposition Authority

P.O. Box 640

One DeKorte Park Plaza

Lyndhurst, NJ, 07071

sara.sundell@njmeadowlands.gov

Alyson Kasetta, Esq., of the firm Connell Foley, appeared on behalf of the petitioner to support the proposal for the rezoning and the regulatory amendments. George Cascino, P.E., P.P., provided expert testimony in the fields of engineering and planning in support of the application.

Summary of Public Comments and Agency Responses:

During the public hearing, the petitioner's engineer and planner, George D. Cascino, P.E., P.P., presented an amendment to the proposed rezoning plan. Mr. Cascino's comments regarding the proposed amended rezoning plan and NJSEA's responses are summarized below:

1. COMMENT: The subject property's area is 18.06 acres, which encompasses all of Block 451, Lots 19.01 and 20.01, and includes 3.57 acres of uplands, as confirmed by the USACE in 2015. Mr. Cascino submitted a plan at the hearing that shows an amendment to the original petition, wherein only 6.58 acres are proposed to be rezoned from EC to HC instead of 18.06 acres, resulting in a decrease in the total area proposed

to be rezoned. The original rezoning proposal followed the existing lot lines of Block 451, Lots 19.01 and 20.01. The suggested change to the rezoning petition results in a developable parcel that would include the 3.57 acres of uplands, but would only include a portion of the totality of Block 451, Lots 19.01 and 20.01. The rezoned area within the subject property is proposed to be reduced, although the total area of uplands on the rezoned property has not changed.

RESPONSE: The petitioner's suggestion at the public hearing to reduce the total area within the subject property that is proposed to be rezoned from EC to HC, from 18.06 acres to 6.58 acres, decreases the extent of the proposed revision to the Official Zoning Map from the original proposal. When taking into account the 0.90 acres of the subject property indicated as existing ROW within the petitioner's suggested rezoning area, the resulting area proposed to be rezoned from EC to HC is 5.68 acres.

Approximately 11.83 acres of on-site wetlands within Block 451, Lots 19.01 and 20.01, originally proposed to be rezoned would, therefore, remain in the EC and the ROW portion. This revision represents a substantive change upon adoption that does not require re-proposal, as there is a reduction in the amount of land that was originally proposed to be rezoned from the EC to the HC zone.

Therefore, the Official Zoning Map is changed upon adoption to reduce the extent of the area of the property to be rezoned from the EC zone to the HC zone from 18.06 acres

(which encompassed the entirety of Block 451, Lots 19.01 and 20.01) to 5.68 acres (which encompasses a portion of Block 451, Lots 19.01 and 20.01). The rezoning will result in lots that are split-zoned; that is, have more than one zone per lot. Block 451, Lot 19.01 and 20.01, will both contain portions of the EC, and HC zones as well as a portion indicated as existing ROW. The configuration of the zones is shown on the attached Official Zoning Map. The rezoned portion of the subject property will encompass 3.02 acres of uplands and 2.66 acres of wetlands in the HC zone. The remaining 11.83 acres of wetlands within Block 451, Lots 19.01 and 20.01, will remain in the EC zones and the portion indicated as existing ROW.

One member of the public, Captain Bill Sheehan, Hackensack Riverkeeper, spoke at the public hearing. Captain Sheehan's comments and the NJSEA's responses are summarized below:

2. COMMENT: Captain Sheehan commented at the public hearing that flooding is a concern in the Meadowlands area and there is localized flooding whenever there is an extremely high tide or coastal storm. In addition, there should be no variation in the waterway buffers.

RESPONSE: Development on the uplands portion of the subject property would not decrease the protective barriers along the Hackensack River or its tributaries. In some locations, wetlands do provide a buffer from storm surge; however, the wetlands located on the subject property are significantly distant from the Hackensack River, which would be the source of any potential storm surge.

The subject property is adjacent to a large tract of undeveloped wetlands that is drained by the Penhorn Creek, which joins with the Hackensack River approximately three miles away. Computer modeling of sea surge in North Bergen, prepared by the Meadowlands Environmental Research Institute (MERI) and available on the MERI website at <http://meri.meadowlands.gov/alerts/water-level/>, indicates that the wetlands adjacent to the subject site are flooded when the storm surge reaches an elevation of 5 feet (NAVD 88). These maps also show that the physical limit of the sea surge flooding does not increase when the surge elevation increases to 8 feet (NAVD 88). The physical limit of the sea surge matches the wetlands line indicated on the land survey submitted by the petitioner. As such, the uplands portion of the site, which is located beyond the sea surge limits indicated on the mapping, typically would not be affected by a storm with similar intensity to Super Storm Sandy.

The proposed rezoning does not result in any change to, or diminishing of, NJSEA regulations, or of the requirements of other agencies with jurisdiction regarding waterway buffers and the environment, including the NJDEP and the USACE. No change to the adopted rules is proposed as a result of this comment.

3. COMMENT: Captain Sheehan stated that the subject property, which contains a small area of uplands along a highway ramp, does not have pedestrian access. In addition, the surrounding roadway system is often very congested and can be confusing for those who are not familiar with the area.

RESPONSE: The NJSEA recognizes the challenges regarding transportation

circulation, both pedestrian and vehicular, in this part of the District. Any future development that may be proposed at the site would be required to address pedestrian and vehicular safety through the NJSEA zoning certificate application process at N.J.A.C. 19:4. The proposed rezoning does not result in any change to the layout of the transportation system in the District. No change to the adopted rules is proposed as a result of this comment.

4. COMMENT: The Meadowlands Conservation Trust, which is chaired by Captain Sheehan, would be interested in discussing conservation or preservation of the portion of the subject property that is not proposed to be rezoned. The remaining EC portion of the subject property that is comprised of wetlands should be protected from development.

RESPONSE: The proposed rezoning does not result in any change to, or diminishing of, NJSEA regulations, or of the requirements of other agencies with jurisdiction regarding the environment, including the NJDEP and the USACE. The rezoning of the subject property would not preclude future discussions regarding conservation of the remaining portions of the tract. No change to the adopted rules is proposed as a result of this comment.

One written comment letter, dated September 1, 2017, from Captain Bill Sheehan, the Hackensack Riverkeeper, was received by the NJSEA during the public comment

period, which also ended on September 1, 2017. The comments in the letter and NJSEA's response are summarized below:

5. COMMENT: The Hackensack Riverkeeper strongly opposes the petition as the requested rezoning would put at risk the many benefits wetlands provide to the surrounding communities, including flood control, storm buffer, pollution filter, sea level rise mitigation, wildlife nursery, as well as recreation and tourism opportunities for local business. The cost to the wetlands when a wetlands conservation designation is converted into an industrial one outweighs any potential benefit to the petitioner.

RESPONSE: While a portion of the subject property is comprised of wetlands, there is an area of uplands that can be developed without putting the wetlands acreage at risk of degradation. The intent of the rezoning is to expand the range of land uses allowed on the upland areas while protecting the existing wetlands. In the Hackensack Meadowlands District Zoning Regulations, N.J.A.C. 19:4-8.16(e) states that the filling of wetlands is not allowed without the required approvals of the governmental authorities with jurisdiction. The USACE maintains jurisdiction over wetlands in the District, and, as such, the NJSEA cannot issue approvals for work in wetlands without prior approval by the USACE. The uplands portion of the subject property, while adjacent to existing wetlands, has the benefit of the adjacent existing infrastructure to provide access and utilities to support a future development without infringing on wetland areas. While a portion of the subject property is not developable due to the presence of wetlands, the front portion closest to the right-of-way presents opportunities for upland development. In addition, the petitioner has not proposed an industrial zone, but has

proposed a rezoning to the HC zone, which has a limited number of uses that are typically found adjacent to highways and major thoroughfares. No change to the adopted rules is proposed as a result of this comment.

6. COMMENT: Allowing the subject rezoning would set a dangerous precedent, put the greater District at risk and open the door for future rezoning proposals. The ability to protect the wetlands from harmful development would be severely impaired and a point of no return reached for the Meadowlands.

RESPONSE: There is no basis for the statement that the proposed rezoning will put the greater District at risk or open the door for future rezoning proposals. Property owners have the right to develop their properties in accordance with the zoning regulations set forth by law. In this case, the petitioner has requested a change in the zoning designation of the subject property in accordance with the regulatory procedures also as set forth by law. The basis of this petition is the fact that the subject property contains areas that, given the particular characteristics and configuration of the uplands and wetlands areas on the site, results in some limited development potential of the overall property. The revised zoning boundaries upon adoption will address the concerns of this commenter by further limiting the amount of property zoned for development. Furthermore, it does not follow that the entire portion of the property to be located in the HC zone will be subject to development. In addition to the hundreds of acres of protected wetlands that are owned by public entities dedicated to ensure their protection, the District contains several areas where wetlands are located

Federal Standards Statement

on privately-owned property, such as the subject property, that are protected by the agencies with jurisdiction over their development, in particular the USACE. The area of the subject property containing wetlands and all other properties containing wetlands in the District remain under the jurisdiction of the USACE. Any future petitions to rezone other properties in the HMD will be reviewed based upon the specifics of the request and the record established in accordance with the regulatory requirements of the rezoning process. No change to the adopted rules is proposed as a result of this comment.

N.J.S.A. 52:14B-4 requires State agencies that adopt, readopt or amend State regulations that exceed any Federal standards or requirements to include in the rulemaking document a comparison with Federal law. The adopted rezoning has not been formulated in accordance with the authority of or in order to implement, comply with or participate in any program established under Federal law.

The Hackensack Meadowlands District is located within the Federally designated Coastal Zone Management Area for New Jersey (designated in accordance with 15 C.F.R. 923.53(a)(1)). The NJSEA acts as the lead coastal planning and management agency for the Meadowlands District under the guidance of the New Jersey Department of Environmental Protection (NJDEP).

The NJSEA's District Zoning Regulations serve as a regulatory tool for meeting the goals and rules established by the New Jersey Coastal Management Program. The adopted rezoning does not contain any requirements or standards in excess of those imposed under Federal law.

Full text of the adoption follows (additions to proposal indicated in boldface with asterisks *thus*; deletions from proposal indicated in brackets with asterisks *[thus]);

19:4-3.3 Official Zoning Map

7. COMMENT: The NJSEA's 50-foot buffer requirement is set to ensure that development is kept at a safe distance from protected wetlands. The petitioner's project cannot promise to develop the subject property without compromising the portions of the property that are environmentally sensitive if they are also seeking to strink the standard 50-foot buffer zone.

RESPONSE: The petitioner's request for a rezoning of the subject property to the HC zone does not result in any changes to the requirements of the District zoning regulations and design requirements, including rules regarding waterway buffers. The outcome of this rezoning petition does not result in any changes to the required 50-foot buffer from the Hackensack River, tributaries or streams located in the District. No change to the adopted rules is proposed as a result of this comment.

Change the zoning designation of *a 5.68 acre portion of* Block 451, Lots 19.01 and 20.01, in the Township of North Bergen from Environmental Conservation to Highway Commercial.

OFFICE OF ADMINISTRATIVE LAW NOTE: The Official Zoning Map is not reproduced herein, but may be reviewed at the following locations:

New Jersey Sports and Exposition Authority

One DeKorte Park Plaza

Lyndhurst, New Jersey 07071

Office of Administrative Law

Quakerbridge Plaza, Building 9

Quakerbridge Road

Trenton, New Jersey 08625

RESOLUTION 2017-39

**RESOLUTION AUTHORIZING THE
PUBLICATION OF A NOTICE OF ADOPTION FOR
THE REZONING OF PORTIONS OF BLOCK 4014, LOT 14.01
IN THE BOROUGH OF RIDGEFIELD, NEW JERSEY (File No. SP-746)**

WHEREAS, the New Jersey Sports and Exposition Authority (NJSEA) is authorized by N.J.S.A. 5:10A-1 et seq., specifically N.J.S.A. 5:10A-7(b) to adopt codes and standards regarding the zoning and rezoning of lands within the Hackensack Meadowlands District (HMD); and

WHEREAS, the Official Zoning Map may be amended from time to time in accordance with N.J.A.C. 19:3-1.3 et seq. upon submittal of a petition to the NJSEA; and

WHEREAS, on March 20, 2017, the NJSEA received a petition from the property owner, 175 Railroad Avenue Realty Associates, LLC, requesting a rezoning of portions of Block 4014, Lot 14.01, in the Borough of Ridgefield, New Jersey; and

WHEREAS, 175 Railroad Avenue Associates, LLC, the property owner, is seeking to rezone a 2.02-acre portion of Block 4014, Lot 14.01, an 11.1 acre lot, from the Light Industrial B zone to the Environmental Conservation zone, and a 0.9-acre portion of the subject property from the Environmental Conservation zone to the Light Industrial B zone; and

WHEREAS, the NJSEA Board of Commissioners authorized the NJSEA staff on May 18, 2017, by Resolution 2017-16, to initiate the rulemaking procedure for the proposed rezoning of portions of Block 4014, Lot 14.01; and

WHEREAS, a Notice of Proposal was filed with the Office of Administrative Law (OAL) for publication in the August 7, 2017, issue of the New Jersey Register (NJR); and

WHEREAS, a public hearing was held at the NJSEA Offices on August 29, 2017, to receive comments on the proposed rezoning; and

WHEREAS, no comments or objections were received by the NJSEA during the public comment period, which ended on October 6, 2017; and

WHEREAS, the Hackensack Meadowlands Municipal Committee (HMMC) approved the proposed Notice of Adoption on December 4, 2017; and

WHEREAS, the NJSEA staff has determined that the proposed rezoning would allow for the commercial development of the upland portion of the subject site while preserving environmentally-sensitive wetlands areas; and

WHEREAS, based on the record in this matter, the staff recommends that the NJSEA Board of Commissioners adopt the proposed amendment to the Official Zoning Map and authorize NJSEA staff to file a Notice of Adoption with OAL; and

WHEREAS, the amendment to the Official Zoning Map will become effective upon publication of the Notice of Adoption in the NJR.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Commissioners of the New Jersey Sports and Exposition Authority hereby adopts the amendment to the Official Zoning Map, changing the zoning designation of a 2.02-acre portion of Block 4014, Lot 14.01, from the Light Industrial B zone to the Environmental Conservation zone, and a 0.98-acre portion of the subject property from the Environmental Conservation zone to the Light Industrial B zone, in the Borough of Ridgefield, New Jersey.

BE IT FURTHER RESOLVED, that the Board of Commissioners of the New Jersey Sports and Exposition Authority hereby authorizes the NJSEA staff to prepare and submit a Notice of Adoption to Office of Administrative Law for publication in the New Jersey Register.

I hereby certify the foregoing to be a true copy of the Resolution adopted by the New Jersey Sports and Exposition Authority at their meeting of December 14, 2017.


Ralph J. Marra, Jr., Esq.
Assistant Secretary



MEMORANDUM

To: NJSEA Board Members and Wayne Hasenbalg, President/CEO

From: Sara J. Sundell *Date:* December 14, 2017

Subject: Request to Publish a Notice of Adoption with Regard to the Rezoning of Block 4014, Lot 14.01, in the Borough of Ridgefield, New Jersey (File No. SP-746)

The New Jersey Sports & Exposition Authority (NJSEA) is authorized to adopt codes and standards regarding the zoning and rezoning of lands within the Hackensack Meadowlands District as set forth in N.J.S.A. 5:10A-1 et seq., specifically N.J.S.A. 5:10A-7(b).

On March 20, 2017, the NJSEA received a petition requesting the rezoning of an 11.1-acre property, identified as Block 4014 Lot 14.01, located at 175 Railroad Avenue in the Borough of Ridgefield, New Jersey. The petition proposed rezoning a 2.02-acre portion of Block 4014, Lot 14.01, a parcel with a total area of 11.1 acres, from the Light Industrial B zone to the Environmental Conservation zone, and a 0.98-acre portion of the subject property from the Environmental Conservation zone to the Light Industrial B zone.

At the Board of Commissioner's meeting on May 18, 2017, the NJSEA staff was authorized, by Resolution No. 2017-16, to proceed with the Notice of Proposal and hold a public hearing regarding the rezoning of portions of Block 4014, Lot 14.01.

A Notice of Proposal was filed with the Office of Administrative Law (OAL) and published in the August 7, 2017, issue of the New Jersey Register (NJR). A public hearing to receive comments was held at the NJSEA Offices on August 29, 2017. No comments or objections were received by the NJSEA during the public comment period, which ended on October 6, 2017.

On November 9, 2017, the matter was forwarded to the Hackensack Meadowlands Municipal Committee (HMMC) for its consideration. The HMMC

approved the proposed amendments to the Official Zoning Map at their meeting on December 4, 2017.

Based upon the record in this matter, the staff is requesting that the NJSEA Board of Commissioners adopt the proposed amendment to the Official Zoning Map to rezone a 2.02-acre portion of Block 4014, Lot 14.01 in the Borough of Ridgefield, New Jersey, from the Light Industrial B zone to the Environmental Conservation zone, and a 0.98-acre portion of the subject property from the Environmental Conservation zone to the Light Industrial B zone. It is further requested the NJSEA Board of Commissioners authorize staff to file a Notice of Adoption with the OAL for publication in the NJR. A resolution requesting the same is attached for your consideration.

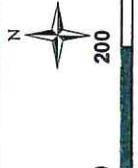
PROPOSED ZONING

EXISTING ZONING

Block 4014, Lot 14.01
Borough of Ridgely

- Zoning**
- Environmental Conservation
 - Light Industrial B
 - Heavy Industrial
 - Rails, Roads, ROWs
- Parcel Boundary**
- Block Boundary
 - Municipal Boundary
 - NJSEA District Boundary

Units: US Survey Feet
Datum: North American Datum 1983
Coordinate System: NJ State Plane
Data Source(s): MERI, NJDEP, NJSEA
Map Date: May 2017



Disclaimer:
This map was created using New Jersey Sports and Exposition Authority Geographic Information System data. The information provided on this map is provided "as is" with no warranty of any kind. It is neither an official state map nor state certified; it is for information and representation purposes only.



OTHER AGENCIES

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY

District Zoning Regulations

Official Zoning Map

Block 4014, Lot 14.01, in the Borough of Ridgelyield

Adopted Amendment: N.J.A.C. 19:4-3.3

Proposed: August 7, 2017, at 49 N.J.R. 8(1)

Adopted: December 14, 2017, by the New Jersey Sports and Exposition Authority

Ralph J. Marra, Jr., Senior Vice President

Filed: _____, 2017, without change

Authority: N.J.S.A. 5:10A-1 et seq., specifically 5:10A-7(b). See also N.J.A.C. 19:3-1.3 and 1.5

Effective Date: January 16, 2018.

Expiration Date: January 16, 2025.

The notice of adoption can also be viewed or downloaded from the NJSEA's website at <http://www.njsea.com/njmc/land/public-notices.html>.

Summary

On March 20, 2017, a petition for rezoning was received by the New Jersey Sports and Exposition Authority (NJSEA) from the property owner, 175 Railroad Avenue Realty Associates, LLC, regarding the property identified as Block 4014, Lot 14.01 (subject property), located within the Hackensack Meadowlands District (HMD),

in the Borough of Ridgelyield. The subject property is currently located in both the Light Industrial B (LJB) and Environmental Conservation (EC) zones on the Hackensack Meadowlands District Official Zoning Map. The petitioner requested that the NJSEA rezone a 2.02 acre portion of the subject property from LJB to EC and a 0.98 acre portion of the subject property from EC to LJB.

The subject property totals approximately 11.11 acres fronting on Railroad Avenue, which provides the only access to the site. An existing industrial building, with an approximate footprint of 101,590 square feet, is situated on the eastern two-thirds of the uplands portion of the property, along with a parking area located between the structure and the Railroad Avenue right-of-way. Existing truck parking and loading areas are located to the rear of the building, also within the uplands portion of the property.

A Jurisdictional Determination (No. NAN-2013-00212) issued by the U.S. Army Corps of Engineers (USACE) on April 12, 2013, states that the subject property includes one principal area of waters of the United States that occupies approximately 4.07 acres within the subject site. This jurisdictional area consists of a 3.65 acre portion of Bellman's Creek and 0.42 acres of tidal emergent wetlands. Bellman's Creek is a tidal tributary of the Hackensack River. Wetlands and wetlands permitting in the HMD are under the jurisdiction of the USACE.

In a subdivision filed with the Bergen County Clerk's Office as filed map 9626 on July 21, 2016, approximately 0.98 acres of the adjacent lot to the north (Block 4014, Lot 15) were merged into the subject property. This 0.98 acre area is currently located in the

EC zone and is the subject of this request to rezone a portion of Block 4014, Lot 14.01, from EC to LIB. Wetlands comprise approximately 0.16 acres, or 16 percent, of the 0.98-acre EC-zoned portion of the property, as depicted on the "Enlarged Site & Dimensional Layout Plan," Sheet 2 of 2, prepared by Mianeki Consulting Engineers and dated 3/8/17, and verified by the USACE's Jurisdictional Determination (No. NAN-2013-00212). The remaining 84 percent of the 0.98 acres is comprised of uplands.

The petitioner has expressed interest in constructing a 31,465 square foot light industrial/ warehousing addition on the subject property, in accordance with the LIB zone regulations. A portion of the proposed structure, parking, and loading area would extend into the uplands portion of the 0.98 acres proposed to be rezoned from EC to LIB. Light industry and warehousing are permitted uses in the LIB zone (per N.J.A.C. 19:4-5.80), but not in the EC zone. Rezoning the 0.98 acres to LIB would result in the potential ability of the applicant to develop the uplands, which will contribute to job creation and the economic vitality of the area, while still protecting adjacent wetlands.

Any proposed development in the rezoned area would be subject to the affordable housing requirements set forth by law or court order at the time of zoning certificate application, including the payment of fees associated with the Statewide Non-Residential Development Fee Act (P.L. 2008, c. 46, §§ 32-38), signed into law on July 17, 2008.

The 2.02 acre area of the LIB zoned portion of the property that is proposed to be rezoned to EC is situated along the eastern-most portion of the subject site. While currently zoned LIB, the entirety of the 2.02 acres is located within the area designated

as waters of the United States and wetlands in the USACE's Jurisdictional Determination. Further to the east of the subject property is a large swath of wetlands in the EC zone, which extends along Heilman's Creek to the Hackensack River.

The EC zone is intended to provide for the preservation and enhancement of the ecological values of wetlands, open water, and adjacent uplands within the District. The petitioner's request states that in order to offset the loss of the EC zoned portion of Block 4014, Lot 14.01, the petitioner is proposing to rezone from LIB to EC a portion of the property that is double the size of the former EC area on the same property. The proposed rezoning of this portion of the subject property is intended to provide for the continued protection of existing, on-site wetlands and open waters.

On May 18, 2017, the NJSEA Board of Commissioners adopted Resolution No. 2017-16, authorizing the NJSEA staff to prepare the notice of proposal to the Office of Administrative Law for publication in the New Jersey Register and conduct a public hearing to obtain public input regarding this matter. The notice of proposal was published in the New Jersey Register on August 7, 2017, at 49 N.J.R. 8(1). A public hearing was held on August 29, 2017, at the NJSEA Offices to receive comment on the proposal. The public comment period ended on October 6, 2017.

Summary of Hearing Officer's Recommendations and Agency Responses:

A public hearing on this matter was held on August 29, 2017, at the NJSEA Offices. Sara Sundell, P.E., P.P., Director of Land Use Management and Chief Engineer,

was the public hearing officer, with Sharon A. Mascaró, P.E., Deputy Director of Land Use Management and Deputy Chief Engineer also present.

No recommendations were made by Ms. Sundell or NJSEA staff during the hearing. The hearing record is available for inspection in accordance with applicant law by contacting:

Sara J. Sundell, P.E., P.P.

Director of Land Use Management and Chief Engineer

New Jersey Sports and Exposition Authority

P.O. Box 640

One DeKorte Park Plaza

Lyndhurst, NJ, 07071

ssundell@njsea.com

William J. Fiore, Esq., of the firm Meyner & Landis, LLP, appeared on behalf of the petitioner to support the proposal for the rezoning and the regulatory amendments. Joseph S. Miannecki, Jr., P.E., P.P., provided expert testimony in the fields of engineering and planning in support of the application.

Summary of Public Comments and Agency Responses:

No comments were received.

Federal Standards Statement

N.J.S.A. 52:14B-4 requires State agencies that adopt, readopt or amend State regulations that exceed any Federal standards or requirements to include in the rulemaking document a comparison with Federal law. The adopted rezoning has not been formulated in accordance with the authority of or in order to implement, comply with or participate in any program established under Federal law.

The Hackensack-Meadowlands District is located within the Federally designated Coastal Zone Management Area for New Jersey (designated in accordance with 15 C.F.R. 923.53(a)(1)). The NJSEA acts as the lead coastal planning and management agency for the Meadowlands District under the guidance of the New Jersey Department of Environmental Protection (NJDEP).

The NJSEA's District Zoning Regulations serve as a regulatory tool for meeting the goals and rules established by the New Jersey Coastal Management Program. The adopted rezoning does not contain any requirements or standards in excess of those imposed under Federal law.

Full text of the adoption follows (additions to proposal indicated in boldface with asterisks *thus*, deletions from proposal indicated in brackets with asterisks *[thus]*):

19:4-3.3 Official Zoning Map

Change the zoning designation of a 2.02 acre portion of Block 4014, Lot 14.01, from Light Industrial B to Environmental Conservation and a 0.98 acre portion of Block 4014,

Lot 14.01, from Environmental Conservation to Light Industrial B, in the Borough of Ridgefield.

OFFICE OF ADMINISTRATIVE LAW NOTE: The Official Zoning Map is not reproduced herein, but may be reviewed at the following locations:

New Jersey Sports and Exposition Authority

One DeKorte Park Plaza

Lyndhurst, New Jersey 07071

Office of Administrative Law

Quakerbridge Plaza, Building 9

Quakerbridge Road

Trenton, New Jersey 08625

RESOLUTION 2017-40

**RESOLUTION ISSUING A
DECISION ON THE VARIANCE APPLICATION
SUBMITTED AS PART OF FILE NO. 17-097
HARTZ/BERGEN AVE. - MAJOR SUBDIVISION
BLOCK 286, LOT 4, IN THE TOWN OF KEARNY**

WHEREAS, an application for six bulk variances has been filed with the New Jersey Sports & Exposition Authority (NJSEA) by Hartz Kearny, LLC, for the premises located along Bergen Avenue, identified as Block 286, Lot 4, in the Town of Kearny, New Jersey; and

WHEREAS, the premises is located within the Light Industrial Center of the Hackensack Meadowlands District's Kearny Area Redevelopment Area; and

WHEREAS, the bulk variances are sought in connection with the applicant's proposed major subdivision, which includes the creation of five (5) proposed lots, to be known as proposed Lots 4.02, 4.03, 4.04, 4.05, and 4.06; and

WHEREAS, the applicant requested relief, in the form of four bulk variances, from N.J.A.C. 19:4-3.16, which requires that every principal building shall be built upon a lot with access to an improved street, whereas access is proposed to be provided from Bergen Avenue to four proposed lots, identified as proposed Lots 4.02, 4.03, 4.04, and 4.05, through an access easement across proposed Lot 4.06, with access to proposed Lots 4.02, 4.03, and 4.05 proposed to be provided via unrecorded ground leases among these properties; and

WHEREAS, the applicant has also requested relief from the provisions of Section IV.C, Table 1 - Bulk Requirements, of the Kearny Area Redevelopment Plan, which requires a minimum side yard setback of 30 feet, whereas a side yard setback of 1.6 feet is proposed to an existing concrete shed on proposed Lot 4.05; and

WHEREAS, the applicant has also requested relief from the Provisions of Section IV.C, Table 1 - Bulk Requirements, of the Kearny Area Redevelopment Plan, which requires a minimum lot area of 3 acres, whereas the area of proposed Lot 4.05 is 0.13 acres; and

WHEREAS, notice of the requested bulk variance relief was given to the public and all interested parties as required by law and was published in The Jersey Journal newspaper; and

WHEREAS, a public hearing was held in the Office of the NJSEA on Tuesday, October 24, 2017, before Sara Sundell, P.E., P.P., Director of Land Use Management and Chief Engineer, Sharon Mascaró, P.E., Deputy Director of Land

Use Management and Deputy Chief Engineer, Mia Petrou, P.P., AICP, Principal Planner, and Ronald Seelogy, P.E., P.P., Principal Engineer; and

WHEREAS, a comprehensive report dated December 4, 2017, has been prepared indicating the recommendations of the Director of Land Use Management and the Senior Vice President of Legal & Regulatory Affairs in this matter; and

WHEREAS, a copy of the recommendation and comprehensive report was provided to the applicant on December 4, 2017; and

WHEREAS, the report recommends the conditional approval of the four requested bulk variances from N.J.A.C. 19:4-3.16, to provide a subdivision resulting in the creation of four lots (proposed Lots 4.02, 4.03, 4.04, and 4.05) with no access upon an improved street; and

WHEREAS, the report also recommends the approval of the requested bulk variance from the provisions of Section IV.C, Table 1 - Bulk Requirements, of the Kearny Area Redevelopment Plan, to permit a setback of 1.6 feet along the southerly side yard of proposed Lot 4.05; and

WHEREAS, the report also recommends the approval of the requested bulk variance from the provisions of Section IV.C, Table 1 - Bulk Requirements, of the Kearny Area Redevelopment Plan to permit a lot area of 0.13 acres for proposed Lot 4.05; and

WHEREAS, the Board of Commissioners of the NJSEA has reviewed the full record, including the transcripts of the public hearings, recommendations on the application by the Director of Land Use Management and by the Senior Vice President, Legal & Regulatory Affairs, and the submissions of the applicant; and

WHEREAS, the Board of Commissioners concurs with the recommendations of the Director of Land Use Management and the Senior Vice President, Legal & Regulatory Affairs; and

WHEREAS, the Board of Commissioners hereby determines that the four bulk variance applications, to provide a subdivision resulting in the creation of four lots (proposed Lots 4.02, 4.03, 4.04, and 4.05) with no access upon an improved street, conforms with the standards for approving applications for variances as set forth in N.J.A.C. 19:4-4.14(e); and

WHEREAS, the Board of Commissioners hereby determines that the requested bulk variance application to permit a setback of 1.6 feet along the southerly side yard of proposed Lot 4.05 also conforms with the standards for approving applications for variances as set forth in N.J.A.C. 19:4-4.14(e); and

WHEREAS, the Board of Commissioners hereby determines that the requested bulk variance application to permit a lot area of 0.13 acres for proposed Lot 4.05 also conforms with the standards for approving applications for variances as set forth in N.J.A.C. 19:4-4.14(e).

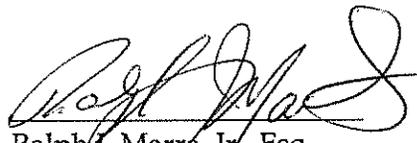
NOW, THEREFORE, BE IT RESOLVED, by the Board of Commissioners of the New Jersey Sports and Exposition Authority, that the Hartz/Bergen Ave. - Major Subdivision application's four bulk variance requests to provide a subdivision resulting in the creation of four lots (proposed Lots 4.02, 4.03, 4.04, and 4.05) with no access upon an improved street, are hereby **APPROVED WITH THE FOLLOWING CONDITIONS** for the reasons set forth in the recommendation dated December 4, 2017:

1. The applicant shall establish existing Lot 4.01 in Block 286 and proposed Lots 4.02, 4.03, 4.04, and 4.05 in Block 286 as a single Zoning Lot of Record pursuant to N.J.A.C. 19:4-3.22 by recording a Declaration of Zoning Restriction in the Office of the Hudson County Registrar; and
2. Should the applicant convey proposed Lots 4.02, 4.03 and/or 4.04 to an affiliate or any entity, that affiliate or entity shall provide a recorded access easement across the property or properties to be conveyed in order to ensure continued formal access rights to Bergen Avenue.

BE IT FURTHER RESOLVED, by the Board of Commissioners of the New Jersey Sports and Exposition Authority, that the Hartz/Bergen Ave. - Major Subdivision application's bulk variance request to permit a minimum setback of 1.6 feet along the southerly side yard of proposed Lot 4.05, is hereby **APPROVED** for the reasons set forth in the recommendation dated December 4, 2017.

BE IT FURTHER RESOLVED, by the Board of Commissioners of the New Jersey Sports and Exposition Authority, that the Hartz/Bergen Ave. - Major Subdivision application's bulk variance request to permit a minimum lot area of 0.13 acres for proposed Lot 4.05, is hereby **APPROVED** for the reasons set forth in the recommendation dated December 4, 2017.

I hereby certify the foregoing to be a true copy of the Resolution adopted by the New Jersey Sports and Exposition Authority at their meeting of December 14, 2017.


Ralph J. Marra, Jr., Esq.
Assistant Secretary



MEMORANDUM

To: NJSEA Board Members and Wayne Hasenbalg, President/CEO

From: Sara J. Sundell *Date:* December 14, 2017

Subject: Variance Recommendation-Hartz/Bergen Ave. - Major Subdivision
(File No. 17-097)

An application for six bulk variances has been filed with the New Jersey Sports & Exposition Authority (NJSEA) by Hartz Kearny, LLC, for the premises located along Bergen Avenue, identified as Block 286, Lot 4, in the Town of Kearny, New Jersey. The subject property is located within the Light Industrial Center of the Hackensack Meadowlands District's Kearny Area Redevelopment Area. The variances are sought in connection with the applicant's proposed major subdivision, which includes the creation of five (5) proposed lots, to be known as proposed Lots 4.02, 4.03, 4.04, 4.05 and 4.06.

The applicant is requesting bulk variance relief from the following:

1. Four bulk variance requests from the following regulation:
 - i. N.J.A.C. 19:4-3.16, which requires that every principal building shall be built upon a lot with access to an improved street, whereas access is proposed to be provided from Bergen Avenue to proposed Lot 4.04 by an access easement across proposed Lot 4.06.
 - ii. N.J.A.C. 19:4-3.16, which requires that every principal building shall be built upon a lot with access to an improved street, whereas access is proposed to be provided from Bergen Avenue to proposed Lot 4.03 by an access easement across proposed Lot 4.06, and a general access easement to proposed Lot 4.03 across proposed Lot 4.04 is proposed to be provided by an unrecorded ground lease.
 - iii. N.J.A.C. 19:4-3.16, which requires that every principal building shall be built upon a lot with access to an improved street, whereas access is proposed to be provided from Bergen Avenue to proposed Lot 4.02 by an access easement across proposed Lot 4.06, and a general access easement to proposed Lot 4.02 across proposed Lots 4.04 and 4.03 is proposed to be provided by an unrecorded ground lease.

- iv. N.J.A.C. 19:4-3.16, which requires that every principal building shall be built upon a lot with access to an improved street, whereas access is proposed to be provided from Bergen Avenue to proposed Lot 4.05 by an access easement across proposed Lot 4.06, and a general access easement to proposed Lot 4.05 across proposed Lot 4.04 is proposed to be provided by an unrecorded ground lease.
2. Section IV.C, Table 1 – Bulk Requirements, of the Kearny Area Redevelopment Plan, which requires a minimum side yard setback of 30 feet, whereas a side yard setback of 1.6 feet is proposed to an existing concrete shed on proposed Lot 4.05.
3. Section IV.C, Table 1 – Bulk Requirements, of the Kearny Area Redevelopment Plan, which requires a minimum lot area of 3 acres, whereas the area of Lot 4.05 is proposed to be 0.13 acres.

A public hearing was held in the Office of the NJSEA on Tuesday, October 24, 2017.

In a comprehensive report dated December 4, 2017, the Director of Land Use Management and the Senior Vice President of Legal & Regulatory Affairs recommended the conditional approval of the four bulk variances requested above in Items 1.i, 1.ii, 1.iii, and 1.iv, and the approval of the two bulk variances requested above in Items 2 and 3. A copy of the comprehensive report and variance recommendation was provided to the applicant on December 4, 2017.

At this time, the Board of Commissioners is required to issue a decision on the variance application described above. A resolution requesting the same is attached for your consideration.

RECOMMENDATION ON THE VARIANCE APPLICATION OF

Hartz/Bergen Ave. - Major Subdivision

FILE # 17-097

I. INTRODUCTION

An application for six bulk variances has been filed with the New Jersey Sports & Exposition Authority (NJSEA) by Hartz Kearny, LLC, for the premises located along Bergen Avenue, identified as Block 286, Lot 4, in the Town of Kearny, New Jersey. The subject property is located within the Light Industrial Center of the Kearny Area Redevelopment Area. The variances are sought in connection with the applicant's proposed major subdivision of existing Lot 4 into five lots, identified as proposed Lots 4.02, 4.03, 4.04, 4.05 and 4.06.

Specifically, the applicant is requesting relief from the following:

1. N.J.A.C. 19:4-3.16, which requires that every principal building shall be built upon a lot with access to an improved street. Four individual bulk variances are requested from this regulation for proposed Lots 4.02, 4.03, 4.04, and 4.05, which do not have access to an improved street, and are proposed to be accessed as follows:
 - a) Proposed Lot 4.02 is proposed to be accessed from Bergen Avenue by an access easement across proposed Lot 4.06, and by unrecorded ground leases through proposed Lots 4.04 and 4.03;
 - b) Proposed Lot 4.03 is proposed to be accessed from Bergen Avenue by an access easement across proposed Lot 4.06, and by an unrecorded ground lease through proposed Lot 4.04;
 - c) Proposed Lot 4.04 is proposed to be accessed from Bergen Avenue by an access easement across proposed Lot 4.06; and
 - d) Proposed Lot 4.05 is proposed to be accessed from Bergen Avenue by an access easement across proposed Lot 4.06, and by an unrecorded ground lease through proposed Lot 4.04.

2. Section IV.C, Table 1 - Bulk Requirements, of the Kearny Area Redevelopment Plan, last revised June 25, 2014, requires a minimum side yard setback of 30 feet, whereas a minimum side yard setback of 1.6 feet is proposed to an existing concrete shed on proposed Lot 4.05; and
3. Section IV.C, Table 1 - Bulk Requirements, of the Kearny Area Redevelopment Plan, last revised June 25, 2014, requires a minimum lot area of 3 acres, whereas the area of proposed Lot 4.05 is 0.13 acres.

Notice was given to the public and all interested parties as required by law. The public notice was published in The Jersey Journal. One written comment regarding this application, dated October 23, 2017, submitted by James P. Bruno, Esq., of the firm Castano Quigley, LLC, attorneys for the Town of Kearny, was received via email by the Division of Land Use Management on October 23, 2017. A public hearing was held in the Office of the Commission on Tuesday, October 24, 2017. All information submitted to the Division of Land Use Management relative to this application is made part of the record of this recommendation.

II. GENERAL INFORMATION

A. Existing and Proposed Use

The property in question, Block 286, Lot 4, contains approximately 30.8 acres. The Bergen Avenue right-of-way (ROW) is located west of the subject property. The site is bordered by the Conrail Corporation railroad to the north and the New Jersey Turnpike ROW to the east. A trucking facility is located south of the subject property.

The subject property, formerly a landfill owned and operated by the Town of Kearny, was divided into two distinct parcels as the result of a 1988 Stipulation of Settlement between Sonee Urban Renewal Corporation (formerly known as

Hudson Meadows Urban Renewal Corp. or Mimi Development Corp.) and Hartz Mountain Industries, Inc. The subject property was under the ownership of the Town of Kearny, however, the Stipulation of Settlement assigned development rights of a 25.8-acre portion of the property (hereinafter referred to as the "Hartz Parcel") to Hartz Mountain Industries, Inc., and a five-acre parcel adjacent to Bergen Avenue (hereinafter referred to as the "Mimi Parcel") to Sonee Urban Renewal Corporation. The Mimi Parcel, identified as proposed Lot 4.06, effectively cut off access to Bergen Avenue for the Hartz Parcel. The Stipulation of Settlement included a 35-foot-wide access easement from Sonee Urban Renewal Corporation to Hartz Mountain Industries, Inc., to provide access from the Hartz Parcel to Bergen Avenue across the Mimi Parcel. This ingress and egress easement has since been more definitively set forth and defined with a metes and bounds description in an Easement Agreement dated July 27, 2017, between the Town of Kearny and Hartz Kearny, LLC.

The subject property is currently developed with three principal buildings and associated parking. The western portion of the lot, within the area of proposed Lot 4.06, contains a masonry sanitary sewer pump station that is owned and operated by the Town of Kearny. A newly-constructed commercial warehouse and office building, presently occupied by Cummins Diesel, is sited on the easterly portion of the subject property, within the area of proposed Lot 4.03. Centrally-placed between both structures, within the area of proposed Lot 4.05, there is a small concrete shed that houses a leachate collection lift station owned and operated by the applicant. Both the leachate lift station shed and the Cummins Diesel site are accessed from Bergen Avenue via an improved common driveway. In addition to the common driveway in the aforementioned access easement across proposed Lot 4.06, a number of other easements for access and utilities also exist on the subject premises, including a pump station easement that surrounds the Town of Kearny's sanitary sewer pump station on proposed Lot 4.06.

On September 8, 2017, the Town of Kearny conveyed ownership of the portion of the subject property previously identified as the Hartz Parcel to Hartz Kearny, LLC. The applicant proposes to subdivide existing Lot 4 into proposed Lots 4.02, 4.03, 4.04, 4.05, and 4.06. Only proposed Lot 4.06, which comprises the Mimi Parcel and contains the existing sanitary sewer pump station, will remain under the Town of Kearny's ownership. Proposed Lot 4.05 contains the existing concrete shed housing the leachate collection lift station. The existing Cummins facility is located on proposed Lot 4.03. Proposed Lot 4.04 will contain a 189,467-square-foot warehouse distribution facility to be occupied by Preferred Freezer Services, which was recently approved by the Town of Kearny Planning Board in Resolution No. 542 on October 4, 2017. According to the applicant, the existing, undeveloped portion of the property designated as proposed Lot 4.02 will remain vacant.

Proposed Lot 4.06 will have direct access to Bergen Avenue; however, proposed Lots 4.02, 4.03, 4.04, and 4.05, which collectively comprise the Hartz Parcel, will not have frontage along Bergen Avenue. Access is proposed to be provided from Bergen Avenue to proposed Lot 4.04 by an access easement across proposed Lot 4.06, with unrecorded ground leases granting further access to the remaining proposed lots in the Hartz Parcel. The applicant also proposes a Declaration of Zoning Restriction joining proposed Lots 4.02, 4.03, 4.04, and 4.05 with existing Lot 4.01 for zoning purposes, so that the aforementioned lots can be utilized as a united parcel for zoning purposes.

B. Response to the Public Notice

One written comment regarding this application, dated October 23, 2017, submitted by James P. Bruno, Esq., of the firm Castano Quigley, LLC, attorneys for the Town of Kearny, was received via email by the Division of Land Use Management on October 23, 2017. The Town of Kearny's position is that subdivision jurisdiction rests with the Town of Kearny Planning Board. It is

noted however, that the Hackensack Meadowlands Agency Consolidation Act at N.J.S.A. 5:10A-13(a) reads in part, "that the constituent municipal approval authority shall defer taking final decision on the subdivision application until receipt of the NJSEA's report thereon." Also, as per N.J.S.A. 5:10A-15, the County Clerk or register of deeds and mortgages shall not accept for filing any subdivision plat for land in the District, unless it bears a certification of approval of the NJSEA in addition to other requirements for filing the subdivision plat.

III. PUBLIC HEARING (October 24, 2017)

A public hearing was held on Tuesday, October 24, 2017. NJSEA staff in attendance were Sara J. Sundell, P.E., P.P., Director of Land Use Management and Chief Engineer; Sharon A. Mascaró, P.E., Deputy Director of Land Use Management and Deputy Chief Engineer; Mia A. Petrou, P.P., AICP, CFM, Principal Planner; and Ronald Seelogy, P.E., P.P., Principal Engineer.

A. Exhibits

The following is a list of the exhibits submitted by the applicant at the public hearing and marked for identification as follows:

| <u>Number</u> | <u>Description</u> |
|---------------|---|
| A-1 | "Major Subdivision Map Prepared for Hartz Mountain Industries - Harrison Avenue Landfill, Block 286, Lot 4, Sheet M9, Town of Kearny, Hudson County, New Jersey," prepared by Azzolina & Feury Engineering, Inc., on December 22, 2016, last revised September 7, 2017. |
| A-2 | Easement Agreement between the Town of Kearny and Hartz Kearny, LLC, dated July 27, 2017. |
| A-3 | Deed for the aforementioned Hartz Parcel, dated September 8, 2017. |

B. Testimony

James P. Rhatigan, Esq., of Hartz Mountain Industries, Inc., represented the applicant at the hearing. The following witness testified in support of the application:

1. John Loch, P.E., P.L.S., Azzolina and Feury Engineering, Inc.; and
2. Kristine Kalfas, P.E., P.P., Hartz Mountain Industries, Inc.

Staff findings and recommendations are based on the entire record. A transcript of the public hearing was prepared and transcribed by Beth Calderone, Certified Shorthand Reporter.

C. Public Comment

No members of the public were present at the public hearing.

IV. RECOMMENDATION

- A. Standards for the Granting of Bulk Variances from the Provisions of N.J.A.C. 19:4-3.16, which requires that every principal building shall be built upon a lot with access to an improved street, whereas access is proposed to be provided from Bergen Avenue to proposed Lot 4.04 via an access easement across proposed Lot 4.06, with access to proposed Lots 4.02, 4.03, and 4.05 proposed to be provided via unrecorded ground leases among these properties.

The Hackensack Meadowlands District Zoning Regulations at N.J.A.C. 19:4-4.14(e) state in part that, *a variance shall not be granted unless specific written findings of fact directly based upon the particular evidence presented are made that support conclusions that...*

1. Concerning bulk variances:

i. *The variance requested arises from such condition that is unique to the property in question, is not ordinarily found in the same zone, and is not created by any action of the property owner or the applicant.*

Existing Lot 4 was the subject of a 1988 settlement agreement that divided the Town of Kearny property into two distinct development parcels, the Mimi Parcel (proposed Lot 4.06) and the Hartz Parcel (comprising proposed Lots 4.02, 4.03, 4.04, and 4.05), with development rights for each assigned to two different entities. As a result, development rights to the Hartz Parcel were created on a portion of the existing lot with no frontage along Bergen Avenue. The proposed subdivision is intended to support the implementation of the settlement agreement and provide legal property designations for both the Mimi Parcel and the Hartz Parcel, which is proposed to be further divided into four distinct areas. Existing Lot 4 is currently developed with three separate and distinct structures in the form of a sanitary sewer pump station, leachate collection facility, and the Cummins warehouse facility, which as a result of the proposed subdivision, will each be placed on separate tax lots. These conditions are unique to the property in question.

ii. *The granting of the variance will not adversely affect the rights of neighboring property owners or residents.*

Neighboring property owners will not be adversely affected by the granting of the requested variances. Proposed Lots 4.03, 4.04, 4.05 and 4.06 will ultimately each contain one structure, two of which will house existing utility functions in the form of a pump station

(proposed Lot 4.06) and a leachate collection shed (proposed Lot 4.05). According to testimony provided by the applicant, proposed Lot 4.02 will remain undeveloped.

Proposed Lot 4.06 will have direct access to Bergen Avenue, an improved public street. Although proposed Lots 4.02, 4.03, 4.04, and 4.05 will not have frontage along Bergen Avenue, access is proposed to be provided from Bergen Avenue to proposed Lot 4.04 by an access easement across proposed Lot 4.06, with unrecorded ground leases granting further access to the remaining proposed lots within the Hartz Parcel. The applicant offered testimony that unrecorded ground leases are proposed to provide access rights amongst the proposed lots in the Hartz Parcel, as an easement cannot legally be granted to the same entity (i.e., Hartz cannot grant an easement to Hartz). However, if any proposed lots within the Hartz Parcel are to be conveyed to an affiliate or any other entity in the future, that affiliate or entity would be required to dedicate an easement across the conveyed property or properties to grant access to the other lots within the Hartz Parcel. In addition, the applicant is proposing to join proposed Lots 4.05, 4.04, 4.03, and 4.02 with existing Lot 4.01 for zoning purposes through the recording of a Declaration of Zoning Restriction, pursuant to N.J.A.C. 19:4-3.22. The proposed zoning lot of record will allow for the usage of open space, parking, and other site-related amenities to be shared amongst all parcels.

The granting of the requested variances to permit the subdivision of property in a manner that creates lots without access to an improved street will not negatively impact neighboring properties.

No portion of neighboring properties will be utilized for ingress or egress, and access will be available to the subdivided properties within the Hartz Parcel via an access easement and lease agreements.

iii. *The strict application of the regulations will result in peculiar and exceptional practical difficulties to, or exceptional and undue hardship upon, the property owner.*

The strict application of the regulations would result in peculiar and exceptional practical difficulties to, or exceptional and undue hardship upon, the property owner.

Subdivision of the property is affected by the 1988 Stipulation of Settlement agreement that created two distinct development parcels, one of which has no direct access to Bergen Avenue. There are no available alternative subdivision configurations that could provide direct access from Bergen Avenue to the Hartz Parcel. No additional property can be acquired to provide this access from the north due to the presence of an existing active rail line, not to the east due to a grade difference with the New Jersey Turnpike ROW.

The proposed subdivision configuration represents the preferred planning alternative for subdivision of the property, as the granting of the four requested variances will permit the orderly development of the subject property, in a manner which provides an alternate form of access to a public street.

iv. *The variance will not result in substantial detriment to the public good and will not adversely affect the public health, safety, morals, order, convenience, prosperity or general welfare.*

There will be no substantial detriment to the public good and no adverse effects to the public health, safety, morals, order, convenience, prosperity, or general welfare by the granting of the four requested variances. There will be no activities or conditions created by the granting of these variances, such as noise, odor, vibration, or glare, that could negatively impact public health and safety. The location of the proposed subdivision lines, the provision of the access easement on proposed Lot 4.06, the applicant's unrecorded ground leases, and the creation of the proposed zoning lot of record, will allow for the continuation of existing circulation patterns and access from Bergen Avenue to all lots, thereby not affecting public safety. Access for firefighting and emergency vehicles will be provided.

v. *The variance will not have a substantial adverse environmental impact.*

There will be no adverse environmental impacts created by the granting of the four requested variances. The proposed major subdivision will not disturb any environmentally sensitive areas, such as wetlands or stormwater facilities, as access to all proposed lots will be provided by a paved driveway. Minimum open space requirements will be met on all properties. The proposed variances will not cause the Hackensack Meadowlands District's environmental performance standards for noise, glare, vibrations, airborne emissions, or hazardous materials to be exceeded.

vi. *The variance represents the minimum deviation from the regulations that will afford relief.*

Hackensack Meadowlands District zoning regulations require that every principal building be constructed upon a lot having access to an improved street. Proposed Lots 4.05 and 4.03, which each contain existing structures, in addition to proposed Lots 4.02 and 4.04, which are both vacant, will have access to Bergen Avenue via the access easement across proposed Lot 4.06 and by unrecorded ground leases for proposed Lots 4.03 and 4.04. The proposed variances stem from the property development configurations resulting from the 1988 Stipulation of Settlement that created the Hartz Parcel with no frontage along Bergen Avenue.

There are no alternative subdivision configurations available that would provide direct access from Bergen Avenue to the Hartz Parcel. The proposed subdivision lines have been placed in the optimal locations representing the most regular layout available given the existing site conditions. Therefore, the requested variances represent the minimum deviation from the Hackensack Meadowlands District zoning regulations that will afford relief.

vii. *Granting the variance will not substantially impair the intent and purpose of these regulations.*

The granting of the four requested variances will not substantially impair the intent and purpose of these regulations. The existing and proposed uses are permitted in the Light Industrial Center of

the Kearny Area Redevelopment Area Plan. Access to an improved public street for the proposed lots within the Hartz Parcel will be provided by an access easement across proposed Lot 4.06, lease agreements, and a Declaration of Zoning Restriction merging proposed Lots 4.02, 4.03, 4.04, and 4.05 with existing Lot 4.01 for zoning purposes. Therefore, the proposed subdivision is consistent with sound planning practices and will promote the intent and purposes of the Hackensack Meadowlands District zoning and subdivision regulations by allowing for the site to be utilized in a safe and orderly manner.

B. Standards for the Granting of a Bulk Variance from the Provisions of Section IV.C, Table 1 - Bulk Requirements, of the Kearny Area Redevelopment Plan, which requires a minimum side yard setback of 30 feet, whereas a minimum side yard setback of 1.6 feet is proposed to an existing concrete shed on proposed Lot 4.05.

The Hackensack Meadowlands District Zoning Regulations at N.J.A.C. 194-4.14(e) state in part that, *a variance shall not be granted unless specific written findings of fact directly based upon the particular evidence presented are made that support conclusions that...*

1. *Concerning bulk variances:*

i. *The variance requested arises from such condition that is unique to the property in question, is not ordinarily found in the same zone, and is not created by any action of the property owner or the applicant.*

Existing Lot 4 was the subject of a 1988 settlement agreement that divided the Town of Kearny property into two distinct development parcels, with development rights for each assigned to a different entity. The proposed subdivision is intended to

implement the settlement agreement and provide legal property designations for the distinct development areas on the overall site. Existing Lot 4 is currently developed with three separate and distinct structures, one of which is a small concrete shed housing a lift station for leachate collection, which is sited on proposed Lot 4.05. Proposed Lot 4.05 will solely house a leachate utility structure that is required as part of the remediation of the former landfill located on the overall Hartz Parcel.

The Planning Board of the Town of Kearny recently approved an application for the construction of an 189,467-square-foot warehouse distribution facility with associated site improvements on adjacent proposed Lot 4.04. In order to facilitate the future development of proposed Lot 4.04, the applicant is seeking major subdivision approval to place the existing concrete utility shed on a separate tax lot. The proposed subdivision will result in a minimum side yard setback of 1.6 feet from the southerly lot line to the concrete shed, whereas a minimum side yard setback of 30 feet is required in the Light Industrial Center of the Kearny Area Redevelopment Area Plan.

The area of proposed Lot 4.05 will be 0.13 acres, whereas a minimum lot area of three acres is required. Additionally, both proposed Lots 4.05 and 4.04 will have no frontage along an improved street. As a result, all yards will be designated as side yards. The future development of proposed Lot 4.04 limits the provision of a conforming side yard setback on proposed Lot 4.05. This combination of conditions subjects this site to a unique set of

circumstances that are not ordinarily found in the Light Industrial Center of the Kearny Area Redevelopment Area.

ii. *The granting of the variances will not adversely affect the rights of neighboring property owners or residents.*

The granting of the requested variance will not adversely affect the rights of neighboring property owners or residents. The neighborhood in which the subject property is located is primarily industrial and commercial in nature. No residential properties are located within the immediate vicinity. The character of the neighborhood will not be altered by the proposed setback. Ingress and egress for the property will be provided by an easement across proposed Lot 4.06 and via an unrecorded ground lease. The existing utility use on proposed Lot 4.05 will not be intensified. The proposed Declaration of Zoning Restriction will ensure adequate access to the building within the reduced side yard for the future maintenance of the existing concrete shed exterior.

iii. *The strict application of the regulations will result in peculiar and exceptional practical difficulties to, or exceptional and undue hardship upon, the property owner.*

The strict application of these regulations would require a minimum setback of 30 feet along the southerly property line of proposed Lot 4.05, whereas 1.6 feet is proposed, and would result in peculiar and exceptional practical difficulties to, or exceptional and undue hardship upon, the property owner. Proposed Lot 4.05 is undersized with an area of 0.13 acres, whereas a minimum lot

area of three acres is required in the Light Industrial Center within the Kearny Area Redevelopment Area Plan. Relocating the proposed subdivision line in order to provide the minimum required setback of 30 feet in the southerly side yard would add approximately 3,600 square feet, or 0.08 acres to proposed Lot 4.05 for a resulting area of 0.21 acres, which would still result in a nonconforming lot with respect to lot size. In addition, a variance would continue to be required for a proposed side yard setback of four feet in the easterly side yard.

A relocated subdivision line would detrimentally affect the future development of proposed Lot 4.04. The purpose of creating proposed Lot 4.05 is to provide a separate tax lot for an existing utility structure that addresses leachate collection throughout the Hartz Parcel, and not for future development. In balancing the requirements of the Light Industrial Center of the Kearny Area Redevelopment Area with the particular characteristics of the subject properties, the proposed variance is required to provide a functional site layout and to avoid any undue hardship for the property owner related to the future development of proposed Lot 4.04.

iv. The variance will not result in substantial detriment to the public good and will not adversely affect the public health, safety, morals, order, convenience, prosperity or general welfare.

There will be no substantial detriment to the public good and no adverse impacts to the public health, safety, morals, order, convenience, prosperity or general welfare by granting the

requested variance. The placement of the proposed subdivision line will have no adverse impact on public safety or health, as adequate light, air, and open space will continue to be supplied. An existing security fence around the concrete shed will remain in place. The concrete shed's personnel door is located along the structure's northerly façade and, therefore, access to the lift station equipment located therein will not be restricted by location of the property lines resulting from the proposed subdivision. No residential properties are located in the immediate vicinity. The point of ingress/egress from and to Bergen Avenue will be maintained. Excess noise, odor, vibration or glare will not be generated as a result of the proposed subdivision.

v. The variance will not have a substantial adverse environmental impact.

The granting of the requested variance will not have any adverse environmental impacts. The location of the proposed subdivision line will not cause the Hackensack Meadowlands District's performance standards regarding noise, vibrations, airborne emissions, hazardous materials, glare or water quality to be exceeded. The existing utility shed on proposed Lot 4.05 will continue to collect leachate from within an area delineated by a slurry wall running across proposed Lots 4.02, 4.03, 4.04 and 4.05, which comprise the Hartz Parcel, thus preventing pollution from the former landfill site from reaching other properties. No new impervious surfaces are proposed on proposed Lot 4.05. Adequate drainage will continue to be provided.

vi. *The variance represents the minimum deviation from the regulations that will afford relief.*

The requested variance represents the minimum deviation from the regulations that will afford relief. Locations for the proposed subdivision line are limited due to the recently-approved development for proposed Lot 4.04. Proposed Lots 4.05 and 4.04 will each contain a building and, therefore, are constrained in provision of a conforming location for the proposed subdivision line that could provide the minimum required side yard setbacks.

vii. *Granting the variance will not substantially impair the intent and purpose of these regulations.*

The granting of the requested variance for the creation of a lot with a substandard side yard setback will not substantially impair the intent and purpose of these regulations. Specific purposes of the Hackensack Meadowslands District zoning regulations include providing sufficient space in appropriate locations for a variety of uses, and ensuring that such uses are suitably sited and placed in order to relate buildings and uses to each other and to the environment so that the aesthetic and use values are maximized. Therefore, the substandard setback proposed for the existing utility structure as part of the proposed subdivision is consistent with sound planning practices and will promote the intent and purpose of these regulations by allowing the subject properties to be utilized in a safe and orderly manner.

C. Standards for the Granting of a Bulk Variance from the Provisions of Section IV.C, Table 1 - Bulk Requirements, of the Kearny Area Redevelopment Plan, which requires a minimum lot area of 3 acres, whereas the area of proposed Lot 4.05 is 0.13 acres.

The Hackensack Meadowslands District Zoning Regulations at N.J.A.C. 194-4.14(e) state in part that, *a variance shall not be granted unless specific written findings of fact directly based upon the particular evidence presented are made that support conclusions that...*

1. *Concerning bulk variances:*

i. *The variance requested arises from such condition that is unique to the property in question, is not ordinarily found in the same zone, and is not created by any action of the property owner or the applicant.*

Existing Lot 4 was the subject of a 1988 settlement agreement that divided the Town of Kearny property into two distinct development parcels, with development rights for each assigned to a different entity. The proposed subdivision is intended to implement the settlement agreement and provide legal property designations for the distinct development areas on the overall site. Existing Lot 4 is currently developed with three separate and distinct structures, one of which is a small concrete shed housing a lift station for leachate collection, which is sited on proposed Lot 4.05. The lift station processes the leachate collected within an area delineated by a slurry wall running across proposed Lots 4.02, 4.03, 4.04 and 4.05, which comprise the Hartz Parcel. Proposed Lot 4.05 will solely house a leachate utility structure that is required as part of the remediation of the former landfill located on the Hartz Parcel.

The Planning Board of the Town of Kearny recently approved an application for the construction of an 189,467-square-foot warehouse distribution facility with associated site improvements on adjacent proposed Lot 4.04. In order to facilitate the future development of proposed Lot 4.04, the applicant is seeking major subdivision approval to locate the existing concrete utility shed on a separate tax lot. The proposed subdivision will result in a lot area for proposed Lot 4.05 of 0.13 acres, whereas a minimum lot area of three acres is required in the Light Industrial Center of the Kearny Area Redevelopment Area.

The future development of proposed Lot 4.04 limits the provision of a conforming lot area for proposed Lot 4.05. This combination of conditions subjects this site to a unique set of circumstances that are not ordinarily found in the Light Industrial Center of the Kearny Area Redevelopment Area.

ii. *The granting of the variance will not adversely affect the rights of neighboring property owners or residents.*

The granting of the requested variance to permit the creation of an undersized lot will not adversely affect the rights of neighboring property owners or residents. The neighborhood in which the subject property is located is primarily industrial and commercial in nature. No residential properties are located in the immediate vicinity. The character of the neighborhood will not be altered by the creation of a substandard lot. Ingress and egress to and from Bergen Avenue will be maintained. Although proposed Lot 4.05 will be undersized, a compliant lot coverage of only two percent is

proposed. The area of proposed Lot 4.05 is proportional to the size of the leachate utility's existing concrete shed located thereon. The proposed Declaration of Zoning Restriction will ensure adequate space for the future maintenance of the existing concrete shed exterior.

iii. *The strict application of the regulations will result in peculiar and exceptional practical difficulties to, or exceptional and undue hardship upon, the property owner.*

The strict application of the regulations will result in peculiar and exceptional practical difficulties to, or exceptional and undue hardship upon, the property owner. Proposed Lot 4.05 is undersized with an area of 0.13 acres, whereas a minimum lot area of three acres is required in the Light Industrial Center of the Kearny Area Redevelopment Area Plan. Relocating the proposed subdivision line in order to provide the minimum required lot area for proposed Lot 4.05 would require the relocation of an existing paved driveway to within close proximity of an environmentally sensitive area on proposed Lot 4.04.

Also, a relocated subdivision line would detrimentally affect the future development approved on proposed Lot 4.04. The purpose of creating the undersized lot is to provide a separate tax lot for an existing utility structure that addresses leachate collection throughout the Hartz Parcel, and not for future development. In balancing the requirements of the Light Industrial Center of the Kearny Area Redevelopment Area with the particular characteristics of the subject properties, the proposed subdivision

configuration resulting in one undersized lot represents the preferred planning alternative.

iv. The variance will not result in substantial detriment to the public good and will not adversely affect the public health, safety, morals, order, convenience, prosperity or general welfare.

There will be no substantial detriment to the public good and no adverse effects to the public health, safety, morals, order, convenience, prosperity or general welfare by granting the requested variance for creation of a lot with an area less than three acres. Proposed Lot 4.05 will continue to function as it currently exists, as no site improvements or other changes are proposed. There will be no activities or conditions created by the granting of the requested variance resulting in any noise, odor, vibration or glare that could negatively impact public health or safety. Access for firefighting and emergency vehicles will remain unchanged under the proposed lot configuration.

v. The variance will not have a substantial adverse environmental impact.

There will be no adverse environmental impacts created by the granting of the requested variance to allow a lot area of less than three acres. The existing utility shed on proposed Lot 4.05 will continue to collect leachate from within an area delineated by a slurry wall running across proposed Lots 4.02, 4.03, 4.04 and 4.05, which comprise the Hartz Parcel, thus preventing pollution from the former landfill site from reaching other properties. As no additional improvements are proposed for proposed Lot 4.05, no

environmentally-sensitive areas or stormwater facilities will be disturbed. The variance will not cause the Hackensack Meadowlands District's environmental performance standards for noise, glare, vibrations, airborne emissions, or hazardous materials to be exceeded.

vi. The variance represents the minimum deviation from the regulations that will afford relief.

The requested variance represents the minimum deviation from the regulations that will afford relief. The proposed subdivision line has been placed in the optimal location representing the most regular layout available given the existing and proposed site conditions. Although proposed Lot 4.05 is undersized, a lot coverage of only two percent is proposed, which is significantly less than the maximum 50 percent lot coverage permitted for the zone. The area of proposed Lot 4.05 is proportional to the size of the existing concrete shed located thereon.

The granting of the requested variance will permit the existing leachate collection building to be located entirely on proposed Lot 4.05 and allow for the future development of proposed Lot 4.04. Potential locations for the proposed subdivision line are limited due to the recently-approved development for proposed Lot 4.04, as well as an existing paved driveway located north of proposed Lot 4.05 on proposed Lot 4.04. Therefore, the proposed subdivision configuration represents the preferred planning alternative for the subdivision of the subject property, as well as the most practical way to allow all proposed lots to function in an orderly manner.

vii. *Granting the variance will not substantially impair the intent and purpose of these regulations.*

The granting of the requested variance for the creation of one lot with a substandard lot size will not substantially impair the intent and purpose of these regulations. Four of the five lots created by the proposed major subdivision will comply with the minimum lot size requirements of the Light Industrial Center within the Kearny Area Redevelopment Area Plan. Existing and proposed uses are permitted. Access to an improved public street will continue to be provided by an access easement across proposed Lot 4.06, lease agreements, and a Declaration of Zoning Restriction merging proposed Lots 4.02, 4.03, 4.04, and 4.05 with existing Lot 4.01 for zoning purposes. Therefore, the proposed subdivision is consistent with sound planning practices and will promote the intent and purpose of these regulations by allowing the subject properties to be utilized in a safe and orderly manner.

IV. SUMMARY OF CONCLUSIONS

A. Standards for the Granting of Four Bulk Variances from the Provisions of N.J.A.C. 19A-3.16, which requires that every principal building shall be built upon a lot with access to an improved street, whereas access is proposed to be provided from Bergen Avenue to proposed Lots 4.02, 4.03, 4.04, and 4.05 by an access easement across proposed Lot 4.06, with access to proposed Lots 4.02, 4.03, and 4.05 proposed to be provided via unrecorded ground leases among these properties.

Based on the record in this matter, the four bulk variance applications to provide a subdivision resulting in the creation of each of four lots (proposed Lots 4.02, 4.03, 4.04, and 4.05) with no access upon an improved street are hereby recommended for APPROVAL SUBJECT TO THE FOLLOWING CONDITIONS:

1. The applicant shall establish existing Lot 4.01 in Block 286 and proposed Lots 4.02, 4.03, 4.04, and 4.05 in Block 286 as a single Zoning Lot of Record pursuant to N.J.A.C. 19A-3.22 by recording a Declaration of Zoning Restriction in the Office of the Hudson County Registrar.

2. Should the applicant convey proposed Lots 4.02, 4.03 and/or 4.04 to an affiliate or any entity, that affiliate or entity shall provide a recorded access easement across the property or properties to be conveyed in order to ensure continued formal access rights to Bergen Avenue.

CONDITIONAL APPROVAL 12/4/2017
Recommendation on Date
Variance Requests


Sara J. Sundell, P.E., P.P.
Director of Land Use Management
Chief Engineer

CONDITIONAL APPROVAL 12/4/2017
Recommendation on Date
Variance Requests


Ralph Marano, Jr.
Senior Vice President
Legal & Governmental Affairs

B. Standards for the Granting of a Bulk Variance from the Provisions of Section IV.C, Table 1 - Bulk Requirements, of the Kearny Area Redevelopment Plan, which requires a minimum side yard setback of 30 feet, whereas a side yard setback of 1.6 feet is proposed to an existing concrete shed on proposed Lot 4.05.

Based on the record in this matter, the bulk variance application to permit a minimum setback of 1.6 feet along the southerly side yard of proposed Lot 4.05, whereas a minimum side yard setback of 30 feet is required, is hereby recommended for APPROVAL.

APPROVAL 12/4/2017 Date
Recommendation on Sara J. Sundell, P.E., P.P.
Variance Request Director of Land Use Management
Chief Engineer

APPROVAL 12/14/2017 Date
Recommendation on Ralph J. Marra, Jr.
Variance Request Senior Vice President
Legal & Governmental Affairs

C. Standards for the Granting of a Bulk Variance from the Provisions of Section IV.C, Table 1 - Bulk Requirements, of the Kearny Area Redevelopment Plan, which requires a minimum lot area of 3 acres, whereas the area of proposed Lot 4.05 is 0.13 acres.

Based on the record in this matter, the bulk variance application to permit a minimum lot area of 0.13 acres for proposed Lot 4.05, whereas a minimum lot area of three acres is required, is hereby recommended for APPROVAL.

APPROVAL 12/4/2017 Date
Recommendation on Sara J. Sundell, P.E., P.P.
Variance Request Director of Land Use Management
Chief Engineer

APPROVAL 12/14/2017 Date
Recommendation on Ralph J. Marra, Jr.
Variance Request Senior Vice President
Legal & Governmental Affairs

AWARDS/ CONTRACTS

RESOLUTION 2017-41

**RESOLUTION AUTHORIZING THE PLACEMENT OF PROPERTY, LIABILITY,
AUTOMOBILE, INLAND MARINE, EXCESS LIABILITY, CRIME, FIDUCIARY,
PUBLIC OFFICIALS LIABILITY AND SITE POLLUTION INSURANCE**

WHEREAS, the New Jersey Sports and Exposition Authority ("Authority") utilized the services of its Insurance Broker, Willis Towers Watson of Pennsylvania ("Willis") to obtain insurance coverages for Property, Liability, Automobile, Inland Marine, Excess Liability, Crime, Fiduciary, Public Officials Liability and Site Pollution, and

WHEREAS, Willis solicited quotes from multiple insurers for the above referenced policies, and

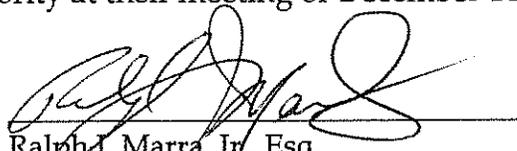
WHEREAS, as a result of its solicitation, Willis is recommending that the NJSEA bind the following policies:

| Coverage | Carrier | Quote |
|-------------------------------|--|-----------------|
| Property | American Home/Liberty Surplus Insurance | \$ 442,810.00 |
| General Liability | Philadelphia Indemnity | \$ 421,893.00 |
| Excess Liability | Philadelphia Indemnity | \$ 109,041.00 |
| Crime | Berkley Regional | \$ 4,275.00 |
| Fiduciary | Chubb | \$ 3,334.00 |
| Public Officials Liability | XL Catlin (Greenwich Ins. Co.) | \$ 83,849.00 |
| Site Pollution | Chubb | \$ 28,681.00 |
| Total | | \$ 1,093,883.00 |

WHEREAS, the Authority staff has evaluated the insurance premium quotation options submitted by Willis and concurs with its recommendation.

NOW THEREFORE BE IT RESOLVED that the Board of Commissioners of the New Jersey Sports and Exposition Authority hereby authorizes Willis to bind the policies that will be effective January 1, 2018 through January 1, 2019 at a total cost of \$1,093,883.

I hereby certify the foregoing to be a true copy of the Resolution adopted by the New Jersey Sports and Exposition Authority at their meeting of December 14, 2017.


Ralph J. Marra, Jr., Esq.
Assistant Secretary

EXECUTIVE SESSION

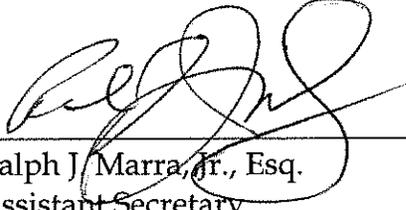
RESOLUTION 2017-43

**RESOLUTION AUTHORIZING THE
NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
TO CONDUCT A MEETING TO WHICH
THE GENERAL PUBLIC SHALL NOT BE ADMITTED**

BE IT RESOLVED by the New Jersey Sports and Exposition authority (“Authority”) that it shall conduct a meeting to which the general public shall not be admitted to discuss personnel matters, the status of pending and anticipated litigation and other matters within the attorney client privilege, contract negotiations, and, if necessary, to act upon pending contracts.

BE IT FURTHER RESOLVED that the time when such discussions may be disclosed to the public shall be when and as such disclosure may be made without adversely affecting the Authority’s pending and/or anticipated legal, personnel, contractual matters and other matters within the exceptions provided for by the statute.

I hereby certify the foregoing to be a true copy of the Resolution adopted by the New Jersey Sports and Exposition Authority at their meeting of December 14, 2017.



Ralph J. Marra, Jr., Esq.
Assistant Secretary

RESOLUTION 2017-44

RESOLUTION AUTHORIZING RENEWAL OF THE
ACCOUNT WAGERING SERVICES AGREEMENT

WHEREAS, pursuant to Public Law 1971, Chapter 137, codified at N.J.S.A. 5:10-1 *et seq.*, as thereafter amended and modified, the New Jersey Sports and Exposition Authority Law (the "Sports Authority Law"), the Legislature of the State of New Jersey established the Authority to, amongst other things, establish and promote an account wagering system;

WHEREAS, pursuant to the Off Track and Account Wagering Act (P.L.201, c.199) (the "OTAW Act") and the regulations of the New Jersey Racing Commission governing off track wagering (N.J.A.C. 13:74-1.1 *et. seq.*) (the "Regulations"), the Authority is authorized to coordinate with other parties to establish and promote an "Account Wagering System" (as that term is defined in the OTAW Act) (the "Project");

WHEREAS, pursuant to the OTAW Act and the Regulations, the Authority entered into that certain Account Wagering Participation and Project Operating Agreement dated as of June 15, 2004 by and among the Authority and New Jersey Account Wagering, LLC regarding, amongst other things, governance matters related to the Project, including the appointment of the Authority as the manager of the Project, and the establishment of an Operating Board to oversee and supervise the Authority's management of the Project (the "ACW Operating Board");

WHEREAS, the Authority has engaged Darby Development LLC ("Darby") as its agent to manage the day-to-day operations of the Project on behalf of the Authority;

WHEREAS, ODS Technologies, L.P. d/b/a TVG Network ("TVG") is a leading provider of products and services used in operating account wagering systems and currently provides services to the Project;

WHEREAS, on November 3, 2017, the ACW Operating Board unanimously approved Darby's recommendation that TVG be retained to continue to provide services to the Project following the expiry of the existing services agreement on the terms and conditions set forth in the draft Account Wagering Services Agreement (the "ACW Services Agreement"). The ACW Services Agreement is conditional on, amongst other things, the New Jersey Racing Commission and any other required governmental authority providing its final approval and/or waiver to the transactions contemplated therein, in addition to the issuance of any necessary licenses or approvals by such agency or agencies;

WHEREAS, the Sports Authority Law (§ 5:10-21.3) provides that any purchase, contract, or agreement may be made, negotiated, or awarded without advertisement for bids when the subject matter consists of, amongst other things: (a) Services which are professional or technical in nature or services which are original and creative in character in

a recognized field of artistic endeavor (§ 5:10-21.3(a)); (b) Items which are specialized equipment or specialized machinery necessary to the conduct of authority business (§ 5:10-21.3(c)); and (c) Items or services which, in order to compete successfully with other sports and entertainment facilities, the authority deems necessary to provide quality horse racing, including materials, supplies, equipment and services for preparation and maintenance of horse racing or horse showing surfaces; horse race starting gates and equipment; program printing; pari-mutuel computer or totalisator equipment or services; horse racing teletimer equipment or services; horse racing photo finish equipment or services; and items or services which are part of or related to promotional or advertising efforts (§ 5:10-21.3(f));

WHEREAS, the Authority has determined that the above subject-matter exemptions apply to the ACW Services Agreement, and accordingly, pursuant to the Sports Authority Law (§ 5:10-21.2), the Authority may make, negotiate, or award the purchase, contract, or agreement in any manner which the Authority deems necessary to serve its unique interests and purposes and which promotes, whenever practicable, full and free competition by the acceptance of quotations or proposals or by the use of other suitable methods;

WHEREAS, because of the unique nature of the services provided by TVG and the enquiries and investigations made of other potential providers by Darby it is necessary for the Authority to renew TVG's contract and it is not practicable for the Authority to publicly seek alternative bidders;

WHEREAS, pursuant to Executive Order 37 (Corzine), the Authority has received authority from the Governor's Authorities Unit to proceed with the ACW Services Agreement without a public advertisement and competitive processes;

WHEREAS, pursuant to the State Comptroller Act (N.J.S.A. 52:15C-1 *et seq.*), the State Comptroller's Office has reviewed and provided a determination that the Authority has complied with applicable public contracting laws, rules, and regulations; and

WHEREAS, pursuant to the Sports Authority Law (§ 5:10-21.5), in any case where the Authority shall make, negotiate, or award a purchase, contract, or agreement without public advertisement, the Authority shall, by resolution passed by the affirmative vote of a majority of its members, specify the subject matter or circumstances which permit the Authority to take such action.

NOW, THEREFORE, BE IT:

RESOLVED, the subject matter exceptions set forth in the Sports Authority's Law § 5:10-21.3(a), § 5:10-21.3(c) and § 5:10-21.3(f) apply to the ACW Services Agreement, and because of the unique nature of the services provided by TVG and the enquiries and investigations made of other potential providers by Darby it is necessary for the Authority to renew TVG's contract and it is not practicable for the Authority to publicly seek alternative bidders; and be it further

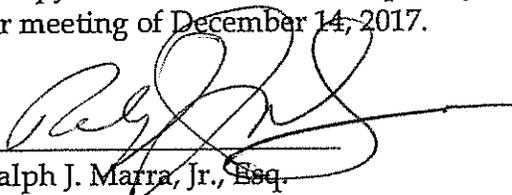
RESOLVED, that the Authority is hereby authorized, instructed, and directed to finalize the ACW Services Agreement and authorize Darby to enter into the ACW Services Agreement as the Authority's agent; and be it further

RESOLVED, that the documents, instruments, and certificates contemplated as necessary and/or advisable in order to confirm, effectuate, implement, memorialize, consummate and/or perfect the transactions contemplated by the ACW Services Agreement (collectively, the "Related Agreements") be and hereby are authorized and approved; and be it further

RESOLVED, that the President of the Authority be, and he hereby is, authorized to finalize the ACW Services Agreement and the Related Agreements with such reasonable or necessary changes thereto as such officer shall approve in his sole discretion, such approval to be conclusively evidenced by the execution and delivery thereof; and be it further

RESOLVED, that the President of the Authority or any other officer authorized by the President of the Authority be, and hereby are, authorized and directed to take all such further actions and to execute and deliver all such further instruments and documents as the President shall determine to be reasonable or necessary, in the name and on behalf of the Authority to fully carry out the intent and to accomplish the purposes of the foregoing resolutions, and the execution by the President or other officer of any of such instrument or document, or the doing by such officer of any act in connection with the foregoing matters, shall conclusively establish such officer's authority therefore from the Authority and the approval and ratification by the Authority of the instruments and documents so executed and the actions so taken.

I hereby certify the foregoing to be a true copy of the Resolution adopted by the New Jersey Sports and Exposition Authority at their meeting of December 14, 2017.



Ralph J. Marra, Jr., Esq.
Assistant Secretary