

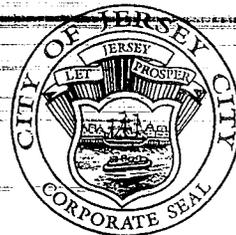
City Clerk File No. Ord. 13.122

Agenda No. 3.A 1st Reading

Agenda No. 2nd Reading & Final Passage

THIS ORDINANCE SECURES BONDS OR OTHER OBLIGATIONS ISSUED IN ACCORDANCE WITH THE PROVISIONS OF THE "REDEVELOPMENT AREA BOND FINANCING LAW" AND THE LIEN HEREOF IN FAVOR OF THE OWNERS OF SUCH BONDS OR OTHER OBLIGATIONS IS A MUNICIPAL LIEN SUPERIOR TO ALL OTHER NON-MUNICIPAL LIENS HEREINAFTER RECORDED

ORDINANCE OF JERSEY CITY, N.J.



COUNCIL AS A WHOLE
offered and moved adoption of the following ordinance:

CITY ORDINANCE 13.122

TITLE:
ORDINANCE APPROVING THE EXECUTION OF A FINANCIAL AGREEMENT WITH JOURNAL SQUARE I URBAN RENEWAL LLC AND OTHER APPLICABLE DOCUMENTS RELATED TO THE AUTHORIZATION AND ISSUANCE BY THE JERSEY CITY REDEVELOPMENT AGENCY OF NOT TO EXCEED \$10,000,000 REDEVELOPMENT AREA BONDS (NON-RECOURSE TO THE FULL FAITH AND CREDIT OF THE CITY) AND DETERMINING VARIOUS OTHER MATTERS IN CONNECTION THEREWITH

THE MUNICIPAL COUNCIL OF THE CITY OF JERSEY CITY DOES ORDAIN:

WHEREAS, on September 11, 2013, the Municipal Council of the City of Jersey City, in the County of Hudson, New Jersey (the "City"), adopted Ordinance No. 13-092, which designated various properties, including, but not limited to, Block 9501, Lots 4 (621 Pavonia Avenue), 5 (619 Pavonia Avenue), 6 (617 Pavonia Avenue), 7 (615 Pavonia Avenue), 8 (605 Pavonia Avenue), 10 (601 Pavonia Avenue), 11 (597 Pavonia Avenue), 12 (595 Pavonia Avenue), 13 (539 Summit Avenue), 14 (537 Summit Avenue), 15 (535 Summit Avenue), and 16 (136 Magnolia Avenue) as shown on the official current tax map of the City, as an area in need of redevelopment (the "Redevelopment Area" and also referred to as the "Project Premises") for purposes of the Local Redevelopment and Housing Law, constituting Chapter 79 of the Pamphlet Laws of 1992 of the State of New Jersey (the "State"), and the acts amendatory thereof and supplemental thereto (the "Redevelopment Law", as codified by N.J.S.A. 40A:12A-1 et seq.); and

WHEREAS, on July 14, 2010, the Municipal Council of the City adopted Ordinance No. 10-103, approving a redevelopment plan for the Redevelopment Area, entitled "Journal Square 2060 Redevelopment Plan" as the same may be amended and supplemented from time to time (the "Redevelopment Plan"); and

WHEREAS, the Redevelopment Area is governed by the Redevelopment Plan; and

WHEREAS, Journal Square Associates LLC ("JSA" or the "Redeveloper") is the fee title owner of the Project Premises; and

WHEREAS, the Redeveloper has made application to the Jersey City Redevelopment Agency (the "Agency") to be designated as the redeveloper to redevelop the Project Premises; and

WHEREAS, the Agency has reviewed the proposal of the Redeveloper and related submissions and has determined that it is in the Agency's best interests to select the Redeveloper as the designated redeveloper for the Project Premises for purposes of negotiating an agreement for the redevelopment of the designated area; and

WHEREAS, the Redeveloper will record a Master Deed (as the same may be amended and supplemented, the "Master Deed") to submit all of the Project Premises to the condominium form of ownership and incorporate the same as part of a condominium regime under the New Jersey Condominium Act, N.J.S.A. 46:8B-1 et seq., to be known as "Journal Squared Condominium"; and

WHEREAS, the Master Deed will create three (3) condominium units with land (common elements) proportioned to the total square footage or units in each condominium unit; and

WHEREAS, Journal Square I Urban Renewal LLC ("JS I"), wholly-owned by JSA, is or will be the owner of master condominium unit 1 located on the Project Premises, upon which JS I plans to construct phase I of the redevelopment plan, which is expected to consist of a 54-story building having approximately 540 market-rate residential rental units, approximately 4,000 square feet of leasing space and potential future commercial space, a parking garage containing approximately 153 parking spaces, together with a pedestrian mall and public improvements and infrastructure related thereto, and will utilize an interim surface parking lot having approximately 74 parking spaces located on the adjoining Phase II property (collectively, the "Phase I Project"); and

WHEREAS, Journal Square II Urban Renewal LLC ("JS II"), wholly-owned by JSA, is or will be the owner of master condominium unit 2 located on the Project Premises, upon which JS II plans to construct phase II of the redevelopment plan, which is expected to consist of a 70-story building having approximately 700 market-rate residential rental units, approximately 18,000 square feet of leasing space and potential future commercial space, and a parking garage containing approximately 522 parking spaces (collectively, the "Phase II Project"); and

WHEREAS, Journal Square III Urban Renewal LLC ("JS III"), wholly-owned by JSA, is or will be the owner of master condominium unit 3 located on the Project Premises, upon which the Entity plans to construct phase III of the redevelopment plan, which is expected to consist of a 60-story building having approximately 600 market-rate residential rental units, approximately 14,000 square feet of leasing space and potential future commercial space, and a parking garage containing approximately 245 parking spaces (collectively, the "Phase III Project" and, together with the Phase I Project and Phase II Project, the "Project"); and

WHEREAS, the Redevelopment Area requires certain on-site and off-site public improvements and infrastructure, including a pedestrian mall, certain of which will be undertaken by the Redeveloper in connection with the Phase I Project, but which benefit the entire Project, including, if and when completed, the Phase II Project and Phase III Project; and

WHEREAS, pursuant to N.J.S.A. 40A:12A-66, a municipality that has designated a redevelopment area may provide for tax exemption within that redevelopment area and for payments in lieu of taxes in accordance with the provisions of the Long Term Tax Exemption Law of 1992, constituting Chapter 431 of the Pamphlet Laws of 1991 of the State of New Jersey, and the Acts amendatory thereof and supplemental thereto (the "Tax Exemption Law", as codified in N.J.S.A. 40A:12A-1 et seq.); provided, however, that the provisions of section 12 of the Tax Exemption Law (N.J.S.A. 40A:20-12) establishing a minimum or maximum annual service charge and requiring staged increases in annual service charges over the term of the exemption period, and of section 13 of the Tax Exemption Law (N.J.S.A. 40A:20-13) permitting the relinquishment of status under that law, shall not apply to redevelopment projects financed with bonds; and

WHEREAS, pursuant to the Tax Exemption Law, the City is authorized to provide for tax exemption within a redevelopment area and for payments in lieu of taxes in accordance with the applicable provisions thereof; and

WHEREAS, JS I, the contract purchaser of condominium unit 1, under the agreement dated September 25, 2013, has submitted an application to the City for the approval of Phase I Project, as such term is used in the Tax Exemption Law, all in accordance with N.J.S.A. 40A:20-8 (the "Exemption Application", a copy of which is attached hereto as Exhibit A); and

WHEREAS, included in the Exemption Application is a request for a tax exemption and payment in lieu of taxes pursuant to the Tax Exemption Law and the Redevelopment Bond Law; and

WHEREAS, the Exemption Application contains documentation evidencing financial responsibility and capability with respect to the proposed development; estimated total development costs; estimated time schedule for start and completion of the proposed development; and conceptual plans; and

WHEREAS, the City evaluated the Exemption Application according to criteria which included financial capabilities, experience, expertise, and project concept descriptions; and

WHEREAS, in order to enhance the economic viability of and opportunity for a successful project, the City will enter into a Financial Agreement with JS I, governing payments made to the City in lieu of real estate taxes on the Phase I Project pursuant to the Tax Exemption Law (the "Financial Agreement"); and

WHEREAS, to finance certain aspects of the Project, the Jersey City Redevelopment Agency (the "Agency") will issue bonds in an aggregate principal amount of up to \$10,000,000 (the "Redevelopment Area Bonds") pursuant to the Redevelopment Bond Law, debt service for the repayment of which Redevelopment Area Bonds will come from the Pledged Annual Service Charge (as that term is defined in the Financial Agreement attached hereto); and

WHEREAS, the City and JS I have each agreed that the Base Annual Service Charge (as that term is defined in the Financial Agreement attached hereto), which is not pledged to the payment of debt service on the Redevelopment Area Bonds, paid by JS I to the City shall be for the City's use in its sole discretion, following payment of the "County Service Charge" (as such term is defined in the Agreements attached hereto) to the County of Hudson, as required by N.J.S.A. 40A:20-12; and

WHEREAS, the City made the following findings:

In accordance with the Tax Exemption Law, specifically N.J.S.A. 40A:20-11, the City hereby finds and determines that the Financial Agreement is to the direct benefit of the health, welfare and financial well-being of the City and its citizens because the Agreement allows for the development of a blighted site into a productive, useful and job-creating property, and further:

- (a) The costs associated to the City with the tax exemption granted herein are minor compared to the estimated Total Project Cost of the Phase I Project of \$203,679,187 and the benefit created by (i) the construction of the Improvements, (ii) the creation of approximately 710 jobs during the construction period and (iii) the creation of approximately 25 permanent jobs through the permanent operation of the Improvements.
- (b) Without the tax exemption granted herein it is highly unlikely that the Phase I Project would otherwise be undertaken, as a source of funding all or a portion of the costs thereof, other than from the proceeds of the Redevelopment Area Bonds, would not otherwise be available; and

WHEREAS, in order to set forth the terms and conditions under which JS I and the City (the "Parties") shall carry out their respective obligations with respect to (a) payment of the Annual Service Charge (as that term is defined in the Financial Agreement attached hereto) by JS I in lieu of real property taxes, and (b) issuance of the Redevelopment Area Bonds by the Agency and provision for repayment thereof by JS I (subject to adjustment as provided in the Financial Agreement), the Parties have determined to execute the Financial Agreement; and

WHEREAS, JS I is qualified to do business under the provisions of the Tax Exemption Law, and has submitted to the Mayor the Exemption Application, which is on file with the Office of the City Clerk, requesting a tax exemption for the Phase I Project; and

WHEREAS, the Mayor has submitted the Exemption Application and Financial Agreement to the Municipal Council with his written recommendation of approval (the "Mayor's Recommendation"), a copy of which is attached hereto as Exhibit B; and

WHEREAS, the Financial Agreement contemplates that the Annual Service Charge will be paid in three (3) categories: the Base Annual Service Charge, to be retained (in addition to payment of the County Service Charge), and the County Annual Service Charge paid by JS I to the City for remittance by the City to Hudson County by the City for Municipal Services as set forth in the Tax Exemption Law; and the Pledged Annual Service Charge, said payments (subject to adjustment as provided in the Financial Agreement) to be dedicated to debt service on the Redevelopment Area

Bonds issued to support certain costs of the Project, pursuant to Redevelopment Bond Law (in addition to payment of the County Service Charge), and the County Annual Service Charge paid by JS I to the City for remittance by the City to Hudson County; and

WHEREAS, pursuant to the Redevelopment Bond Law, the City, in the exercise of its power under the Redevelopment Bond Law, may enter into contracts as necessary, for the purpose of securing the Redevelopment Area Bonds to finance the Project; and

WHEREAS, the Redevelopment Bond Law requires the approval of the New Jersey Local Finance Board prior to the issuance of financial instruments such as the Redevelopment Area Bonds where such financial instruments are to be secured by payments in lieu of taxes such as the Pledged Annual Service Charges (subject to adjustment as provided in the Financial Agreement); and

WHEREAS, the City believes that (a) it is in the public interest for JS I to undertake the Phase I Project; (b) the Phase I Project is for the health, welfare, convenience or betterment of the inhabitants of the City; (c) the amounts to be expended by the City for said Phase I Project are not unreasonable or exorbitant; and (d) the Phase I Project is an efficient and feasible means of providing services for the needs of the inhabitants of the City and will not create an undue financial burden to be placed upon the City; and

WHEREAS, the City further wishes to approve the execution and delivery of a Pledge and Assignment Agreement with the Agency and/or its bond trustee (the "Pledge Agreement"), which Pledge Agreement will provide for, *inter alia*, the pledge and assignment of the Pledged Annual Service Charge to the Agency or its bond trustee as security for the payment of debt service on the Redevelopment Area Bonds; and

WHEREAS, the terms of any trust indenture to be entered into by the Agency in connection with the issuance of the Redevelopment Area Bonds will provide terms and provisions relating to the disbursement of proceeds of the Redevelopment Area Bonds.

NOW, THEREFORE, BE IT ORDAINED BY THE MUNICIPAL COUNCIL OF THE CITY OF JERSEY CITY, IN THE COUNTY OF HUDSON, NEW JERSEY, AS FOLLOWS:

1. JSA has been designated by the Jersey City Redevelopment Agency to act as redeveloper for the Phase I Project, in accordance with the Redevelopment Plan and the plans and specifications contained in the Application, subject to the conditions and as more fully set forth in the form of Financial Agreement attached hereto. To the extent of any inconsistency with the definition of the "Phase I Project" as contained in the Redevelopment Agreement, the definition of the Phase I Project as contained herein and in the Financial Agreement shall control.
2. The Exemption Application, a copy of which is attached hereto as Exhibit A, is hereby approved in accordance with the Mayor's Recommendation, a copy of which is attached hereto as Exhibit B.
3. The Municipal Council hereby finds and determines that the Financial Agreement is to the direct benefit of the health, welfare and financial well-being of the City and its citizens because it allows for the development of a blighted site into a productive, useful and job-creating property, and further (a) the costs associated to the City with the tax exemption granted herein are minor compared to the estimated Total Project Cost of the Phase I Project of \$203,679,187 and the benefit created by (i) the construction of the Improvements, (ii) the creation of approximately 710 jobs during the construction period and (iii) the creation of approximately 25 permanent jobs through the permanent operation of the Improvements, and (b) without the tax exemption granted herein it is highly unlikely that the Project would otherwise be undertaken, as a source of funding all or a portion of the costs thereof, other than from the proceeds of the Redevelopment Area Bonds, would not otherwise be available.
4. An exemption from taxation is hereby granted to JS I, with respect to the Phase I Project for the term set forth in the Financial Agreement, but in no event shall the tax exemption

commence until the effective date of the Financial Agreement, nor extend beyond the earlier of (i) thirty-five (35) years from the date of the adoption of this ordinance or (ii) thirty (30) years from the Substantial Completion of the Phase I Project and only so long as the Phase I Project is owned by an entity formed and operating under the Tax-Exemption Law. To the extent of any inconsistency with any prior City ordinance and/or Municipal Code provision governing the granting of long-term tax exemptions, including, *inter alia*, procedures for application, review and approval, required terms of the financial agreement, required conditions and covenants, limits on duration, means of enforcement, and all other matters whatsoever, such prior City ordinances and/or Municipal Code provisions are hereby waived (or, alternatively, shall be deemed to be amended and/or superseded by this ordinance) to the extent of such inconsistency, but only with respect to this Ordinance.

5. The Financial Agreement, in substantially the form attached hereto as Exhibit C, is approved. The Mayor or Business Administrator (Authorized Officers) are each hereby authorized to execute, on the City's behalf, the Financial Agreement in substantially such form, with such changes as the Authorized Officers shall determine, in consultation with the Corporation Counsel, such determination to be conclusively evidenced by their execution of the Financial Agreement. The City Clerk is hereby authorized and directed to attest to the execution of the Financial Agreement by the Authorized Officers of the City as determined hereunder and to affix the corporate seal of the City to the Financial Agreement.
6. Pursuant to the provisions of the Redevelopment Bond Law, specifically N.J.S.A. 40A:12A-67(c) and, if applicable, N.J.S.A. 40A:12A-69, the City is hereby authorized to assign, for the benefit of the Agency and/or its bond trustee and as security for the Redevelopment Area Bonds, all of the City's right, title and interest in and to the Pledged Annual Service Charges. The Pledge Agreement, in substantially the form attached hereto as Exhibit D, is approved. The Authorized Officers, or either of them, are each hereby authorized to execute and deliver, on behalf of the City, the Pledge Agreement in substantially such form, with such changes as the Authorized Officers shall determine, in consultation with the Corporation Counsel, such determination to be conclusively evidenced by their execution of the Pledge Agreement. The Authorized Officers, or either of them, are each hereby further authorized to execute and deliver, on behalf of the City, such additional instruments as they may deem, in consultation with the Corporation Counsel, to be necessary or appropriate for the purpose of effectuating such assignment. The City Clerk is hereby authorized and directed to attest to the execution of the Pledge Agreement and any such additional instruments by the Authorized Officer(s) of the City as determined hereunder and to affix the corporate seal of the City thereto.
7. Executed copies of the Financial Agreement and the Pledge Agreement shall be certified by the City Clerk and filed with the Office of the City Clerk. The Office of the City Clerk shall also forthwith file certified copies of this ordinance and the Financial Agreement with the Director of the Division of Local Government Services pursuant to N.J.S.A. 40A:20-12.
8. Upon the execution of the Financial Agreement as contemplated herein, the Authorized Officers and the City Clerk are each hereby severally authorized and directed to file and record this Ordinance and the Financial Agreement with the Hudson County Register such that the Financial Agreement and this Ordinance shall be reflected upon the land records of the County of Hudson as a lien upon and a covenant running with each and every parcel of land constituting the Parcel. Pursuant to and in accordance with the provisions of the Redevelopment Bond Law, specifically N.J.S.A. 40A:12A-68(c), and notwithstanding any other law to the contrary, upon recordation of both this ordinance and the Financial Agreement, the lien thereof shall be perfected for all purposes in accordance with law and the lien shall thereafter be superior to all non-municipal liens thereafter recorded or otherwise arising, without any additional notice, recording, filing, continuation filing or action, until payment of all of the Redevelopment Area Bonds.
9. The Authorized Officers of the City are hereby further severally authorized and directed to (i) execute and deliver, and the City Clerk is hereby further authorized and directed to attest to such execution and to affix the corporate seal of the City to, any document, instrument or certificate deemed necessary, desirable or convenient by the Authorized Officers or the City Clerk, as applicable, in their respective sole discretion, after consulting with the Corporation

Counsel, to be executed in connection with the execution and delivery of the Financial Agreement and the Pledge Agreement and the consummation of the transactions contemplated thereby, which determination shall be conclusively evidenced by the execution of each such certificate or other document by the party authorized hereunder to execute such certificate or other document, and (ii) perform such other actions as the Authorized Officers deem necessary, desirable or convenient in relation to the execution and delivery thereof.

10. The Phase I Project when completed shall conform with all Federal and State law and ordinances and regulations of the City relating to its construction and use.
11. JS I shall in the operation of the Phase I Project comply with all laws so that no person shall, because of race, religious principles, color, national origin or ancestry, be subject to any discrimination.
12. JS I shall, from the time the Annual Service Charge becomes effective, pay the Annual Service Charge as set forth in the Financial Agreement.
13. All City officers and professionals are hereby authorized to take all necessary and appropriate steps to assist and join with JS I (i) in connection with the required application to the New Jersey Local Finance Board for approval of the issuance of the Redevelopment Area Bonds (in an aggregate principal amount up to \$10,000,000.00 for the Project) for the funding of a part of the cost of the Project and (ii) in connection with the required application to the Agency for approval of its issuance of said Redevelopment Area Bonds.
14. JS I shall pay all outstanding taxes and all outstanding water and sewer charges within thirty (30) days of the adoption of this Ordinance.
15. This ordinance shall take effect upon final passage and publication in accordance with the laws of the State of New Jersey.
16. Term: the earlier of 35 years from the adoption of the within Ordinance or 30 years from the date the Phase I Project is Substantially Complete.
17. Annual Service Charge: each year the greater of:
 - (a) the Minimum Annual Service Charge equal to the amount of a portion of the total taxes (land and pre-existing improvements) levied against all real property in the area covered by Phase I Project in the last full tax year in which the Property was subject to taxation, which sum is estimated to be approximately \$119,334;
 - (b) the Base Annual Service Charge, as set forth in the Financial Agreement, which sum is estimated to be approximately \$648,000 for the first year; or
 - (c) the Pledged Annual Service Charge.
18. Administrative Fee: 0.5% of the prior year's Annual Service Charge.
19. County Payment: 5% of the Annual Service Charge to be paid by JS I to the City for remittance by the City to Hudson County.
20. Project: A new mixed use market rate residential rental project, Master Condominium Unit 1, which will consist of a 54-story building having approximately 540 market-rate residential rental units, approximately 4,000 square feet of leasing space and potential future commercial space, a parking garage containing approximately 153 parking spaces, together with a pedestrian mall and public improvements and infrastructure related thereto, and will utilize an interim surface parking lot having approximately 74 parking spaces located on the adjoining Phase II property.
21. Affordable Housing Trust Fund: \$1,500 per unit or \$810,000 and \$1.50 per square foot x 4,000 square feet or \$6,000, for a total of \$816,000.

22. An obligation to execute a Project Labor Agreement and a Project Employment and Contracting Agreement to insure employment and other economic benefits to City residents and businesses.

23. This Ordinance will sunset and the Tax Exemption will terminate unless construction of the Phase I Project begins within two (2) years of the adoption of the within Ordinance.

A. The City Clerk shall deliver a certified copy of the Ordinance and Financial Agreement to the Tax Assessor and Director of the Division of Local Government Services.

B. The application is on file with the office of the City Clerk. The Financial Agreement and Project Employment and Contracting Agreement shall be in substantially the form on file in the Office of the City Clerk, subject to such modification as the Business Administrator or Corporation Counsel deems appropriate or necessary.

C. All ordinances and parts of ordinances inconsistent herewith are hereby repealed.

D. This ordinance shall be part of the Jersey City Code as though codified and fully set forth therein. The City Clerk shall have this ordinance codified and incorporated in the official copies of the Jersey City Code.

E. This ordinance shall take effect at the time and in the manner provided by law.

F. The City Clerk and Corporation Counsel be and they are hereby authorized and directed to change any chapter numbers, article numbers and section numbers in the event that the codification of this ordinance reveals that there is a conflict between those numbers and the existing code, in order to avoid confusion and possible accidental repealers of existing provisions.

NOTE: All material is new; therefore underlining has been omitted. For purposes of advertising only, new matter is indicated by **bold face** and repealed matter by *italic*.

DJ/he
10/25/13

APPROVED AS TO LEGAL FORM

APPROVED: _____

Corporation Counsel

APPROVED: _____
Business Administrator

Certification Required
Not Required

Record and Return To:

Rev. 10-24-13
Long Term Tax Exemption
N.J.S.A. 40A:20-1, et seq.
(New Market Rate Res Rental FA)

Re: 595-621 Pavonia Avenue, 535-539 Summit Avenue,
136 Magnolia Avenue
Approximately 2.23 Acres
Block 9501, Lots 4-8 and 10-16,
Master Condo Unit 1 and interim surface parking area
Journal Square 2060 Redevelopment Plan, as amended and
supplemented

PREAMBLE

THIS FINANCIAL AGREEMENT [Agreement] is made the ___ day of _____, 2013 by and between **JOURNAL SQUARE I URBAN RENEWAL LLC**, an urban renewal entity formed and qualified to do business under the provisions of the Long Term Tax Exemption Law of 1992, as amended and supplemented, N.J.S.A. 40A:20-1 et seq. [Long Term Tax Exemption Law], having its principal office at c/o KRE Group, 520 US Highway 22, P.O. Box 6872, Bridgewater, New Jersey 08807 [Entity], and the **CITY OF JERSEY CITY**, a municipal corporation of the State of New Jersey, having its principal office at City Hall, 280 Grove Street, Jersey City, New Jersey 07302 [City].

RECITALS

WITNESSETH:

WHEREAS, Journal Square Associates LLC [JSA] owns certain real property designated as Block 9501, Lots 4 through 8, inclusive, and 10 through 16, inclusive, as shown on the official current tax map of the City of Jersey City, New Jersey, more commonly known by the street addresses of 595-621 Pavonia Avenue, 535-539 Summit Avenue and 136 Magnolia Avenue, and more particularly described by the metes and bounds description set forth as Exhibit 1 to this Agreement [Property], which Property is located within the boundaries of the Journal Square 2060 Redevelopment Plan area, as amended and supplemented; and

WHEREAS, the redevelopment of the Journal Square 2060 Redevelopment Plan area requires certain on-site and off-site public improvements and infrastructure, certain of which will be undertaken by the Entity in connection with the Phase I Project (defined below); and

WHEREAS, JSA will record a Master Deed [Master Deed] to submit all of the Property to the condominium form of ownership and incorporate the same as part of a condominium regime under the New Jersey Condominium Act, N.J.S.A. 46:8B-1 et seq., to be known as “[Journal Squared Condominium]; and

WHEREAS, the Master Deed shall create three (3) master condominium units, with proportionate common elements, to be developed in three (3) phases; and

WHEREAS, JSA and the Entity have entered into a Conveyance Agreement, dated as of September 25, 2013, pursuant to which the Entity will be the owner of master condominium unit 1 ([Master Condo Unit 1]) located on the Property; and

WHEREAS, Journal Square II Urban Renewal LLC [JS II LLC] will be the owner of master condominium unit 2 located on the Property, and Journal Square III Urban Renewal LLC [JS III LLC] will be the owner of master condominium unit 3 located on the Property; and

WHEREAS, the Entity plans to construct phase 1, which will consist of a 54-story building having approximately 540 market-rate residential rental units, approximately 4,000 square feet of leasing space and potential future commercial space, a parking garage containing approximately 153 parking spaces, and an interim surface parking lot having approximately 74 parking spaces, together with a pedestrian mall and public improvements and infrastructure related thereto [collectively, the Phase I Project]; and

WHEREAS, JS II LLC plans to construct phase 2, which is expected to consist of a 70-story building having approximately 700 market-rate residential rental units, approximately 18,000 square feet of commercial space, and a parking garage containing approximately 522 parking spaces, together with public improvements and infrastructure related thereto [Phase II Project], and JS II LLC is entering into a Financial Agreement with the City with respect to the Phase II Project on the date hereof [Phase II Financial Agreement]; and

WHEREAS, JS III LLC plans to construct phase 3, which is expected to consist of a 60-story building having approximately 600 market-rate residential rental units, approximately 14,000 square feet of commercial space, and a parking garage containing approximately 245 parking spaces, together with public improvements and infrastructure related thereto [Phase III Project], and JS III LLC is entering into a Financial Agreement with the City with respect to the Phase III Project on the date hereof [Phase III Financial Agreement]; and

WHEREAS, the interim surface parking lot will be designated in the Master Deed as an interim reserved common element for the exclusive use of the Entity until the construction of the Phase II Project, at which time the parking lot will be replaced with the phase 2 building and the 74 parking spaces will be included in Phase II Project; and

WHEREAS, on December 5, 2012, the Phase I Project received a site plan approval from the Planning Board; and

WHEREAS, on September 26, 2013, the Entity filed an Application with the City, as amended by a letter dated October 25, 2013 (as amended, the [Application]), for a Phase 1 long term tax exemption for the Phase I Project; and

WHEREAS, by the adoption of Ordinance _____ on _____, 2013, the Municipal Council approved a long term tax exemption for the Phase I Project and authorized the execution of a Financial Agreement; and

WHEREAS, the City made the following findings:

A. Relative Benefits of the Phase I Project when compared to the costs:

1. the current real estate taxes on the Property, as pro rated for Master Condo Unit 1, generate total revenue of approximately \$119,334, whereas, the service charges payable hereunder, as estimated, will generate revenue to the City of a Nonrefundable Up Front Payment of One Million Seven Hundred Ninety Seven Thousand and No/100 Dollars (\$1,797,000.00) and an initial annual service charge of \$270,000 (which, after allocation of a portion of the Nonrefundable Up Front Payment, is equivalent to an initial annual service charge of not less than \$648,000);

2. the Entity, on or before the date this Agreement is executed, will pay the City the sum of \$816,000, as an affordable housing contribution pursuant to Ordinance 03-112, and the Phase I Project will promote the appropriate development of affordable housing in the area;

3. it is expected that the Phase I Project will create approximately 710 new construction jobs, and 25 new permanent full time jobs;

4. the Phase I Project should stabilize and contribute to the economic growth of existing local business and to the creation of new businesses, which cater to new occupants;

5. the Phase I Project will further the redevelopment objectives of the Journal Square 2060 Redevelopment Plan, which include the promotion of the principals of smart growth and transit village development;

6. the City's Fiscal Impact Cost Analysis, on file with the Office of the City Clerk indicates that the benefits of the Project outweigh the costs to the City; and

B. Assessment of the Importance of the Tax Exemption in obtaining development of the Phase I Project and influencing the locational decisions of probable occupants:

1. the relative stability and predictability of the annual service charges will make the Phase I Project more attractive to investors and lenders needed to finance the Phase I Project; and

2. the relative stability and predictability of the service charges will allow the owner to stabilize its operating budget, allowing a high level of maintenance to the building over the life the Phase I Project, which will attract occupants to the Phase I Project, insure the likelihood of stabilized rents to tenants and the success of the Phase I Project; and

3. the relative stability and predictability of the service charges will have a positive impact on the surrounding area; and

WHEREAS, on _____, 2013, the Entity entered into that certain Redevelopment Agreement [Redevelopment Agreement] with Jersey City Redevelopment Agency [JCRA] in accordance with the Local Redevelopment and Housing Law, as amended and supplemented, N.J.S.A. 40A:12A-1 et seq. [Redevelopment Law]; and

WHEREAS, pursuant to N.J.S.A. 40A:12A-66, a municipality that has designated a redevelopment area may provide for tax abatement (exemption) within that redevelopment area and for payments in lieu of taxes in accordance with the provisions of the Long Term Tax Exemption Law; provided, however, that the provisions of section 12 of the Long Term Tax Exemption Law (N.J.S.A. 40A:20-12) establishing a minimum or maximum annual service charge and requiring staged increases in annual service charges over the term of the exemption period, and of section 13 of the Long Term Tax Exemption Law (N.J.S.A. 40A:20-13) permitting the relinquishment of status under that law, shall not apply to redevelopment projects financed with bonds; and

WHEREAS, pursuant to the Redevelopment Law and Redevelopment Area Bond Financing Law, as amended and supplemented, N.J.S.A. 40A:12A-64 et seq. [RAB Law], the Project is a redevelopment project in a redevelopment area, within the meaning of such law, and JCRA has agreed in the Redevelopment Agreement to issue bonds to finance the Project [Redevelopment Bonds], which will be paid from and secured by an assignment by the City of the Pledged Annual Service Charges.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, and for other good and valuable consideration, it is mutually covenanted and agreed as follows:

ARTICLE I – GENERAL PROVISIONS

Section 1.1 Governing Law

This Agreement shall be governed by the provisions of the Long Term Tax Exemption Law, the Redevelopment Law, the RAB Law, Executive Order of the Mayor 02-003, Disclosure of Lobbyist Status, Ordinance 02-075, and Ordinance _____, which authorized the execution of this Agreement. It being expressly understood and agreed that the City expressly relies upon the facts, data, and representations contained in the Application, as amended by a letter dated October 25, 2013, attached hereto as Exhibit 3, in granting this tax exemption. It is expressly understood and agreed that the Entity expressly relies upon this tax exemption, and the JCRA's issuance of Redevelopment Bonds, in undertaking the Phase I Project.

Section 1.2 General Definitions

Unless specifically provided otherwise or the context otherwise requires, when used in this Agreement, the following terms shall have the following meanings:

i. Allowable Net Profit. The amount arrived at by applying the Allowable Profit Rate to Total Project Cost pursuant to N.J.S.A. 40A:20-3(c).

ii. Allowable Profit Rate. The greater of 12% or the percentage per annum arrived at by adding 1.25% to the annual interest percentage rate payable on the Entity's initial permanent mortgage financing. If the initial permanent mortgage is insured or guaranteed by a governmental agency, the mortgage insurance premium or similar charge, if payable on a per annum basis, shall be considered as interest for this purpose. If there is no permanent mortgage financing, or if the financing is internal or undertaken by a related party, the Allowable Profit Rate shall be the greater of 12% or the percentage per annum arrived at by adding 1.25% per annum to the interest rate per annum which the municipality determines to be the prevailing rate on mortgage financing on comparable improvements in Hudson County, New Jersey [County]. The provisions of N.J.S.A. 40A:20-3(b) are incorporated herein by reference.

iii. Annual Gross Revenue. Any and all revenue derived from or generated by the Phase I Project of whatever kind or amount, whether received as rent from any tenants or income or fees from third parties, including but not limited to fees or income paid or received for parking, or as user fees or for any other services. No deductions will be allowed for operating or maintenance costs, including, but not limited to gas, electric, water and sewer, other utilities, garbage removal and insurance charges, whether paid for by the landlord, tenant or a third party.

iv. Annual Service Charge. The amount the Entity has agreed to pay the City each year for municipal services supplied to the Phase I Project, which sum is in lieu of any taxes on the Improvements pursuant to N.J.S.A. 40A:20-12. The Annual Service Charge shall consist of the Base Annual Service Charge, the County Annual Service Charge and the Pledged Annual Service Charge, as more fully set forth herein and on Schedule 1. The Annual Service Charge shall also include excess net profits payable pursuant to N.J.S.A. 40A:20-15, if any.

v. Auditor's Report. A complete annual financial statement outlining the financial status of the Phase I Project, which shall also include a certification of Total Project Cost and clear computation of the annual Net Profit. The contents of the Auditor's Report shall have been prepared in conformity with generally accepted accounting principles and shall contain at a minimum the following: a balance sheet, a statement of income, a statement of retained earnings or changes in stockholders' equity, a statement of cash flows, descriptions of accounting policies, notes to financial statements and appropriate schedules and explanatory material results of operations, cash flows and any other items required by Law. The Auditor's Report shall be certified as to its conformance with such principles by a certified public accountant who is licensed to practice that profession in the State of New Jersey.

vi. Base Annual Service Charge. That portion of the Annual Service Charge to be paid by the Entity to the City pursuant to Section 4.1(i) hereof. The Base Annual Service Charge shall not be pledged to pay Redevelopment Bonds.

vii. Certificate of Occupancy. A document, whether temporary or permanent, issued by the City authorizing occupancy of a building, in whole or in part, pursuant to N.J.S.A. 52:27D-133.

viii. County Annual Service Charge. That portion of the Annual Service Charge to be paid by the Entity to the City pursuant to Section 4.1(ii) hereof. The County Annual Service Charge shall not be pledged to pay Redevelopment Bonds.

ix. Debt Service. The amount required to make annual payments of principal and interest or the equivalent thereof on any construction mortgage, permanent mortgage or other financing including returns on institutional equity financing and market rate related party debt for the Phase I Project for a period equal to the term of this Agreement.

x. Default. Shall be a breach of or the failure of the Entity to perform any obligation imposed upon the Entity by the terms of this Agreement, or under the Law, beyond any applicable grace or cure periods.

xi. Entity. The term Entity within this Agreement shall mean Journal Square I Urban Renewal LLC, which Entity is formed and qualified pursuant to N.J.S.A. 40A:20-5. It shall also include any subsequent purchasers or successors in interest of the Phase I Project, provided they are formed and operate under the Law.

xii. Improvements or Phase I Project. Any building, structure or fixture permanently affixed to the land and to be constructed and tax exempted under this Agreement.

xiii. In Rem Tax Foreclosure or Tax Foreclosure. A summary proceeding by which the City may enforce a lien for taxes due and owing by tax sale, under N.J.S.A. 54:5-1 to 54:5-129 et seq.

xiv. Land Taxes. The amount of taxes assessed on the value of land, on which the Phase I Project is located, which for the current fiscal year are approximately \$54,725. Land is not exempt; however, Land Taxes shall be applied as a credit against the Base Annual Service Charge in accordance with the Long Term Tax Exemption Law, and Land Taxes shall be applied as a credit against the Nonrefundable Up Front Payment to the extent provided in Section 4.1(v) hereof.

xv. Land Tax Payments. Payments made on the quarterly due dates, including approved grace periods if any, for Land Taxes (pro rated for Master Condo Unit 1) as determined by the Tax Assessor and the Tax Collector.

xvi. Law. Law shall refer to the Long Term Tax Exemption Law; the Redevelopment Law; the RAB Law; Executive Order of the Mayor 02-003, relating to long term tax exemption,

as it may be supplemented; Ordinance 02-075 requiring Disclosure of Lobbyist Status and Ordinance _____, which authorized the execution of this Agreement and all other relevant Federal, State or City statutes, ordinances, resolutions, rules and regulations.

xvii. Lease Up Period. Shall begin on the first day of the month following the issuance of the first Certificate of Occupancy (whether permanent or temporary) for the Phase I Project [Lease Up Date]. During the Lease Up Period, the Entity shall pay the sum equal to the estimated Annual Service Charge (other than the Pledged Annual Service Charge) divided by the number of units in the Phase I Project divided by 12 for each month at the rate of 27 units per month for the first month and an additional 27 units each month thereafter through the 20th month after Lease Up Date, whether or not the units are actually occupied or generate revenue. The Lease Up Period for the Phase I Project expires 20 calendar months after the Lease Up Date.

xviii. Minimum Annual Service Charge. The Minimum Annual Service Charge shall be: (a) prior to Substantial Completion, the amount of the total taxes levied against the Property, as allocated to the Phase I Project, in the last full tax year in which the area was subject to taxation, which the parties agree is \$119,334.35 for Master Condo Unit 1 (based upon 540 units in the Phase I Project divided by 1,840 total expected units); (b) during the Lease Up Period, the monthly charges set forth in Section 1.1(xvii) hereof, and (c) after expiration of the Lease Up Period, \$270,000.

xix. Net Profit. The Annual Gross Revenues of the Entity less all annual operating and non-operating expenses of the Entity, all determined in accordance with generally accepted accounting principles, but:

(1) there shall be included in expenses: (a) all annual service charges paid pursuant to this Agreement; (b) all annual payments to the City of excess profits pursuant to N.J.S.A. 40A:20-15 or N.J.S.A. 40A:20-16; (c) an annual amount sufficient to amortize (utilizing the straight line method-equal annual amounts) the Total Project Cost and all capital costs determined in accordance with generally accepted accounting principles, of any other entity whose revenue is included in the computation of excess profits over the term of this agreement; (d) all reasonable annual operating expenses of the Entity and any other entity whose revenue is included in the computation of excess profits including the cost of all management fees, brokerage commissions, insurance premiums, all taxes or service charges paid, legal, accounting, or other professional service fees, utilities, building maintenance costs, building and office supplies and payments into repair or maintenance reserve accounts; (e) all payments of rent including but not limited to ground rent by the Entity; (f) all Debt Service; and

(2) there shall not be included in expenses either depreciation or obsolescence, interest on debt, except interest which is part of Debt Service, income taxes or salaries, bonuses or other compensation paid, directly or indirectly to directors, officers and stockholders of the entity, or officers, partners or other persons holding a proprietary ownership interest in the entity.

xx. Pronouns. He or it shall mean the masculine, feminine or neuter gender, the singular, as well as the plural, as context requires.

xxi. Pledged Annual Service Charge. That portion of the Annual Service Charge to be paid by the Entity pursuant to Section 4.1(iii) hereof. The Pledged Annual Service Charge shall be pledged to pay Redevelopment Bonds.

xxii. Substantial Completion. The determination by the City that the Phase I Project, in whole or in part, is ready for the use intended, which ordinarily shall mean the first date on which the Phase I Project receives, or is eligible to receive (as determined by the Construction Code official), any Certificate of Occupancy whether temporary or permanent for any portion of the Phase I Project, whether or not occupied or leased.

xxiii. Termination. Any act or omission which by operation of the terms of this Financial Agreement shall cause the Entity to relinquish its tax exemption.

xxiv. Total Project Costs. The total cost of constructing the Phase I Project through the date a Certificate(s) of Occupancy is issued for the entire Phase I Project, which categories of cost are set forth in N.J.S.A. 40A:20-3(h). There shall be included in Total Project Cost the actual costs incurred by the Entity and certified by an independent and qualified architect or engineer, which are associated with site remediation and cleanup of environmentally hazardous materials or contaminants in accordance with State or Federal law and any extraordinary costs incurred including the cost of demolishing structures, relocation or removal of public utilities, cost of relocating displaced residents or buildings and the clearing of title, if applicable.

xxv. Trust Indenture. That certain Indenture of Trust, Bond Agreement, or other similar form of agreement, if any, as it may be amended and supplemented, to be entered into by and between the JCRA and the trustee with respect to the Redevelopment Bonds. As used herein, the term "trustee" shall mean the bond trustee or other person acting in a similar capacity.

ARTICLE II - APPROVAL

Section 2.1 Approval of Tax Exemption

The City hereby grants its approval for a tax exemption for the Phase I Project, Master Condo Unit 1, constituting the Improvements to be constructed and maintained in accordance with the terms and conditions of this Agreement and the provisions of the Law which Improvements shall be constructed on the Property.

Section 2.2 Approval of Entity

Approval is granted to the Entity whose Certificate of Formation is attached hereto as Exhibit 4. Entity represents that its Certificate contains all the requisite provisions of the Law; has been reviewed and approved by the Commissioner of the Department of Community Affairs; and has been filed with, as appropriate, the Office of the State Treasurer or Office of the Hudson County Clerk, all in accordance with N.J.S.A. 40A:20-5.

Section 2.3 Improvements to be Constructed

Entity represents that it will construct the Phase I Project; all of which is specifically described in the Application attached hereto as Exhibit 3.

Section 2.4 Construction Schedule

The Entity agrees to diligently undertake to commence construction and complete the Phase I Project in accordance with the Estimated Construction Schedule, attached hereto as Exhibit 5.

Section 2.5 Ownership, Management and Control

The Entity represents that promptly following the recordation of the Master Deed it will be the owner of Master Condo Unit 1 and has exclusive right to use temporarily the area for the interim surface parking lot located on the adjoining property of the Phase II Project. Upon construction, the Entity represents that the Improvements will be used, managed and controlled for the purposes set forth in this Agreement.

Section 2.6 Financial Plan

The Entity represents that the Improvements shall be financed in accordance with the Financial Plan attached hereto as Exhibit 6. The Plan sets forth a good faith estimate of Total Project Cost, the amortization rate on the Total Project Cost, the source of funds, the interest rates to be paid on construction financing, the source and amount of paid-in capital, and the terms of any mortgage amortization.

Section 2.7 Good Faith Estimate of Initial Rents/Master Deed

The Entity represents that its good faith projections of the initial rents and lease terms for the Phase I Project are set forth in Exhibit 7. The Entity agrees that the Master Deed shall not be amended in any manner that will reduce the economic benefits to the City, including but not limited to a reduction in any net service charges to the City.

ARTICLE III - DURATION OF AGREEMENT

Section 3.1 Term

So long as there is compliance with the Law and this Agreement, it is understood and agreed by the parties hereto that this Agreement shall remain in effect for the earlier of 35 years from the date of adoption of Ordinance ____ on November __, 2013, which approved the tax exemption, or 30 years from the date of Substantial Completion of the Phase I Project. The tax exemption shall only be effective during the period of usefulness of the Phase I Project and shall continue in force only while the Phase I Project is owned by an entity formed and operating under the Law.

ARTICLE IV - ANNUAL SERVICE CHARGES

Section 4.1 Annual Service Charges

In consideration of the tax exemption, the Entity shall make the following annual payments for the services provided to the Phase I Project:

i. Base Annual Service Charge: The Entity shall pay to the City the Base Annual Service Charge in the amounts set forth on Schedule 1 attached hereto, as adjusted pursuant to the terms hereof. Year 1 of Schedule 1 shall begin upon Substantial Completion of the Phase I Project.

ii. County Annual Service Charge: The Entity shall pay to the City the County Annual Service Charge, which amount shall be the sum of: (a) five percent (5%) of the sum of the Base Annual Service Charge plus the Pledged Annual Service Charge, each as adjusted pursuant to the terms hereof; and (b) eight thousand five hundred and no/100 dollars (\$8,500.00) per year for each of the first ten (10) years after Substantial Completion (which amount is designed to approximate the County Annual Service Charges attributable to the Nonrefundable Up Front Payment. The County Annual Service Charge shall not otherwise be payable by the Entity with respect to any Nonrefundable Up Front Payment).

iii. Pledged Annual Service Charge: For so long as Redevelopment Bonds are outstanding and secured by the Pledged Annual Service Charge, the Entity shall pay to the City the Pledged Annual Service Charge in the amounts set forth in Schedule 1 attached hereto. The Pledged Annual Service Charge for the Phase I Project shall be adjusted upon completion of each of the Phase II Project and Phase III Project to allocate a portion of such service charges to such projects. Such allocation to each phase shall be determined on a pro rata basis by dividing the number of completed residential units in such phase by the number of completed residential units on the Property. The Pledged Annual Service Charge shall be adjusted, at the direction of the Entity, to reflect any redemption, refunding, prepayment or other change in the debt service requirements with respect to the Redevelopment Bonds. The Pledged Annual Service Charge shall terminate at such time as Redevelopment Bonds are no longer outstanding or no longer secured by the Pledged Annual Service Charge.

As security for the Redevelopment Bonds, the City and the Entity agree to and hereby assign all of their interest in each Pledged Annual Service Charge to the trustee under the Trust Indenture to pay, and secure the payment of, Redevelopment Bonds. The City's pledge of the Pledged Annual Service Charge shall be absolute. The Pledged Annual Service Charge shall not be included in the general funds of the City. The City's obligation to pay the Pledged Annual Service Charge to the trustee shall be a limited obligation of the City, payable by it only to the extent of payments of Pledged Annual Service Charges received from the Entity, and shall not constitute a general obligation of the City. The City and the Entity shall each take such further actions as may be reasonably requested to effectuate the issuance of the Redevelopment Bonds and the transactions contemplated thereby.

iv. The Minimum Annual Service Charge set forth in Section 1.2(xviii)(a) shall be due beginning on the effective date of this Agreement. Beginning on the first day of the month after Substantial Completion, subject only to the Lease Up Period, the Minimum Annual

Service Charge set forth in Section 1.2(xviii)(b) and (c) shall be due in any year where it exceeds the Annual Service Charge. In the event the Entity fails to timely pay the Minimum Annual Service Charge or the Annual Service Charge, the unpaid amount shall bear the highest rate of interest permitted in the case of unpaid taxes or tax liens on land until paid.

v. Prepayment of Annual Service Charge. Within five (5) business days following the date of Substantial Completion, the Entity shall pay One Million Seven Hundred Ninety Seven Thousand and No/100 Dollars (\$1,797,000.00) [Nonrefundable Up Front Payment] to the City. For a period of five (5) years following Substantial Completion, the amount, if any, by which Land Taxes exceed the Base Annual Service Charge in any year shall be applied as a nonrefundable credit against (i.e., paid from) the Nonrefundable Up Front Payment until such time as the Nonrefundable Up Front Payment are exhausted by such credits.

vi. Credit for Impositions on the Phase II Project and Phase III Project. For a period of five (5) years following Substantial Completion of Phase I, the Base Annual Service Charge payable hereunder shall be reduced by the amount of all land taxes and minimum annual service charges on the property comprising the Phase II Project and Phase III Project. Such credits shall be applied against the Base Annual Service Charge in the year in which such impositions are payable with respect to such projects.

Section 4.2 No Staged Adjustments

Pursuant to the RAB Law (N.J.S.A. 40A:12A-66), service charges payable hereunder shall not be adjusted in stages over the term of the tax exemption period in accordance with N.J.S.A. 40A:20-12.

Section 4.3 Land Tax

The Entity is required to pay both the Annual Service Charge and the pro rated Land Tax Payments for Master Condo Unit 1. The Entity is obligated to make timely Land Tax Payments in order to be entitled to a Land Tax credit against the Base Annual Service Charge for the subsequent year. The Entity shall be entitled to credit for the amount, without interest, of the Land Tax Payments made in the last four preceding quarterly installments against the Base Annual Service Charge. The Entity shall not be entitled to a refund if the Land Tax credit exceeds the Annual Service Charge in any year and shall forfeit that sum. Land Tax Payments shall not be credited against the Pledged Annual Service Charge. In any quarter that the Entity fails to make any Land Tax Payments when due and owing, such delinquency shall render the Entity ineligible for any Land Tax Payment credit against the Base Annual Service Charge until the Land Taxes are paid in full. No credit will be applied against the Base Annual Service Charge for a partial payment of Land Taxes until they are paid in full. In addition, the City shall have, among this remedy and other remedies, the right to proceed against the property pursuant to the In Rem Tax Foreclosure Act, N.J.S.A. 54:5-1, et seq. and/or declare a Default and terminate this Agreement.

Section 4.4 Quarterly Installments/Interest

The Entity expressly agrees that the Annual Service Charge shall be made in quarterly installments on those dates when real estate tax payments are due; subject, nevertheless, to adjustment for over or underpayment within ninety (90) days after the close of each calendar year. In the event that the Entity fails to pay the Annual Service Charge or any other charge due under this Agreement, the unpaid amount shall bear the highest rate of interest permitted in the case of unpaid taxes or tax liens on the land until paid in full.

Section 4.5 Administrative Fee

The Entity shall also pay an annual administrative fee [Administrative Fee] to the City in addition to the Annual Service Charge and Land Tax levy. The Administrative Fee shall be calculated as one-half of one percent (0.5%) of each prior year's Annual Service Charge plus, for the year paid only, the Nonrefundable Up Front Payment. This fee shall be payable and due on or before December 31st of each year, and collected in the same manner as the Annual Service Charge.

Section 4.6 Affordable Housing Contribution

The Entity will pay the City the sum of \$816,000 (calculated as \$1,500 per residential unit for 540 units (\$810,000), plus \$1.50 per square foot for 4,000 square feet of commercial space (\$6,000)) as a contribution for affordable housing. The sum shall be paid on or before the date this Agreement is executed.

Section 4.7 Material Conditions

It is expressly agreed and understood that the timely payments of Land Taxes, Minimum Annual Service Charge and Annual Service Charges, including adjustments thereto, Administrative Fees, Affordable Housing Contributions, and any interest thereon, are Material Conditions of this Agreement.

ARTICLE V - PROJECT EMPLOYMENT AND CONTRACTING AGREEMENT

Section 5.1 Project Employment and Contracting Agreement

In order to provide City residents and businesses with certain employment and other economic related opportunities, the Entity is subject to the terms and conditions of the Project Employment and Contracting Agreement, attached hereto as Exhibit 8.

Section 5.2 Project Labor Agreement

The Entity shall execute a Project Labor Agreement as required by Ordinance 07-123 as it exists or as it may be amended from time to time. A copy of the fully executed Project Labor Agreement shall be provided to the City and attached hereto as Exhibit 11.

ARTICLE VI - CERTIFICATE OF OCCUPANCY

Section 6.1 Certificate of Occupancy

It is understood and agreed that it shall be the obligation of the Entity to obtain all Certificates of Occupancy in a timely manner so as to complete construction substantially in accordance with the proposed construction schedule attached hereto as Exhibit 5.

Section 6.2 Filing of Certificate of Occupancy

It shall be the primary responsibility of the Entity to forthwith file with both the Tax Assessor and the Tax Collector a copy of each Certificate of Occupancy.

Failure of the Entity to file such issued Certificate of Occupancy as required by the preceding paragraph, shall not militate against any action or non-action, taken by the City, including, if appropriate retroactive billing with interest for any charges determined to be due, in the absence of such filing by the Entity.

ARTICLE VII - ANNUAL REPORTS

Section 7.1 Accounting System

The Entity agrees to maintain a system of accounting and internal controls established and administered in accordance with generally accepted accounting principles.

Section 7.2 Periodic Reports

A. Auditor's Report: Within ninety (90) days after the close of each fiscal or calendar year, depending on the Entity's accounting basis that the Agreement shall continue in effect, the Entity shall submit to the Mayor and Municipal Council and the NJ Division of Local Government Services in the Department of Community Affairs, its Auditor's Report for the preceding fiscal or calendar year. The Auditor's Report shall include, but not be limited to gross revenue, and the terms and interest rate on any mortgage(s) associated with the purchase or construction of the Phase I Project and such details as may relate to the financial affairs of the Entity and to its operation and performance hereunder, pursuant to the Law and this Agreement. The Report shall clearly identify and calculate the Net Profit for the Entity during the previous year, plus excess net profit, if any, in accordance with Article VII hereof. Excess Net Profit shall be paid to the City for each year an excess net profit is generated.

B. Total Project Cost Audit: Within ninety (90) days after Substantial Completion of the Phase I Project, the Entity shall submit to the Mayor, Municipal Council, the Tax Collector and the City Clerk, who shall advise those municipal officials required to be advised, an audit of Total Project Cost, including but not limited to an audit of actual construction costs as certified by the Phase I Project architect.

C. Disclosure Statement: On the anniversary date of the execution of this Agreement,

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and each and every year thereafter while this agreement is in effect, the Entity shall submit to the

Municipal Council, the Tax Collector and the City Clerk, who shall advise those municipal officials required to be advised, a Disclosure Statement listing the persons having an ownership interest in the Phase I Project, and the extent of the ownership interest of each and such additional information as the City may request from time to time. Unless the owner is a publicly traded corporation, all disclosures shall include the ownership interests down to the individual persons owning any corporate interest in the Entity.

Section 7.3 Inspection/Audit

The Entity shall permit the inspection of its property, equipment, buildings and other facilities of the Phase I Project and, if deemed appropriate or necessary, any other related entity by representatives duly authorized by the City or the NJ Division of Local Government Services in the Department of Community Affairs. It shall also permit, upon request, an annual examination and audit of its books, contracts, records, documents and papers. Such examination or audit shall be made during the reasonable hours of the business day, in the presence of an officer or agent designated by the Entity for any year during which the tax exemption financial agreement was in full force and effect.

Section 7.4 Payment of City's Audit Costs

All costs incurred by the City to conduct a review of the Entity's audits, including reasonable attorneys' fees if appropriate, shall be billed to the Entity and paid to the City as part of the Entity's Annual Service Charge. Delinquent payments shall accrue interest at the same rate as for a delinquent service charge.

ARTICLE VIII- LIMITATION OF PROFITS AND RESERVES

Section 8.1 Limitation of Profits and Reserves

During the period of tax exemption as provided herein, the Entity shall be subject to a limitation of its profits pursuant to the provisions of N.J.S.A. 40A:20-15, to be calculated annually.

The Entity shall have the right to establish a reserve against vacancies, unpaid rentals, and reasonable contingencies in an amount equal to five percent (5%) of the Annual Gross Revenue of the Entity for the last full fiscal year and may retain such part of the Excess Net Profits as is necessary to eliminate a deficiency in that reserve, as provided in N.J.S.A. 40A:20-15. The reserve is to be non-cumulative, it being intended that no further credits thereto shall be permitted after the reserve shall have attained the allowable level of five percent (5%) of the preceding year's Annual Gross Revenue.

Section 8.2 Annual Payment of Excess Net Profit

In the event the Net Profits of the Entity, in any year, exceeds the Allowable Net Profits for such year, then the Entity, within one hundred and twenty (120) days after the end of the year, shall pay such excess Net Profits to the City as an additional annual service charge;

provided, however, that the Entity may maintain a reserve as determined pursuant to aforementioned paragraph 8.1. The calculation of the Entity's Excess Net Profits shall include those project costs directly attributable to site remediation and cleanup expenses and any other costs excluded in the definition of Total Project Cost in Section 1.2(xxiv) of this Agreement even though those costs may have been deducted from the project costs for purposes of calculating the Annual Service Charge.

Section 8.3 Payment of Reserve/Excess Net Profit Upon Termination, Expiration or Sale

The date of termination or expiration of this Agreement or the sale of the Phase I Project shall be considered to be the close of the fiscal year of the Entity. Within ninety (90) days after such date, the Entity shall pay to the City the amount of the reserve, if any, maintained by it pursuant to this section and the balance of the Excess Net Profit, if any.

ARTICLE IX - ASSIGNMENT AND/OR ASSUMPTION

Section 9.1 Approval of Sale

Any sale or transfer of the Phase I Project shall be void unless approved in advance by Ordinance of the Municipal Council. It is understood and agreed that the City, on written application by the Entity, will not unreasonably withhold its consent to a sale of the Phase I Project and the transfer of this Agreement provided 1) the new entity does not own any other project subject to long term tax exemption at the time of transfer; 2) the new entity is formed and eligible to operate under the Law; 3) the Entity is not then in default of this Agreement or the Law; 4) the Entity's obligations under this Agreement are fully assumed by the new entity; 5) the Entity pays in full the maximum transfer fee, 2% of the Annual Service Charge, as permitted by N.J.S.A. 40A:20-10(d).

Nothing herein shall prohibit any transfer of the ownership interest in the Entity itself provided that the transfer, if greater than 10%, is disclosed to the City in the annual disclosure statement or in correspondence sent to the City in advance of the filing of the annual disclosure statement.

Section 9.2 Transfer Application Fee

Where the consent or approval of the City is sought for approval of a change in ownership or sale or transfer of the Phase I Project, the Entity shall be required to pay to the City a new tax exemption application fee for the legal and administrative services of the City, as it relates to the review, preparation and/or submission of documents to the Municipal Council for appropriate action on the requested assignment. The fee shall be non-refundable.

ARTICLE X - COMPLIANCE

Section 10.1 Operation

During the term of this Agreement, the Phase I Project shall be maintained and operated in accordance with the provisions of the Law. Operation of the Phase I Project under this Agreement shall not only be terminable as provided by N.J.S.A. 40A:20-1, et seq., as amended and supplemented, but also by a Default under this Agreement. The Entity's failure to comply with the Law shall constitute a Default under this Agreement and the City shall, among its other remedies, have the right to terminate the tax exemption.

Section 10.2 Disclosure of Lobbyist Representative

During the term of this Agreement, the Entity must comply with Executive Order 2002-005, and Ordinance 02-075, requiring Written Disclosure of Lobbyist Representative Status. The Entity's failure to comply with the Executive Order or the Ordinance shall constitute a Default under this Agreement and the City shall, among its other remedies, have the right to terminate the tax exemption.

ARTICLE XI - DEFAULT

Section 11.1 Default

Default shall be failure of the Entity to conform with the terms of this Agreement or failure of the Entity to perform any obligation imposed by the Law, beyond any applicable notice, cure or grace period.

Section 11.2 Cure Upon Default

Should the Entity be in Default, the City shall send written notice to the Entity of the Default [Default Notice]. The Default Notice shall set forth with particularity the basis of the alleged Default. The Entity shall have sixty (60) days, from receipt of the Default Notice, to cure any Default which shall be the sole and exclusive remedy available to the Entity. However, if, in the reasonable opinion of the City, the Default cannot be cured within sixty (60) days using reasonable diligence, the City will extend the time to cure.

Subsequent to such sixty (60) days, or any approved extension, the City shall have the right to terminate this Agreement in accordance with Section 12.1.

Section 11.3 Remedies Upon Default

The City shall, among its other remedies, have the right to proceed against the property pursuant to the In Rem Tax Foreclosure Act, N.J.S.A. 54:5-1, et seq. In order to secure the full and timely payment of the Annual Service Charge, the City on its own behalf, or on behalf of the JCRA and/or the Trustee, reserves the right to prosecute an In Rem Tax Foreclosure action against the land and improvements in accordance with Applicable Law, as more fully set forth in this Financial Agreement.

In addition, the City may declare a Default and terminate this Agreement. Any default arising out of the Entity's failure to pay Land Taxes, Minimum Annual Service Charge,

Administrative Fees, Affordable Housing Contribution or the Annual Service Charges, shall not be subject to the default procedural remedies as provided in Article XI herein, but shall allow the City to proceed immediately to terminate the Agreement as provided in Article XII. All of the remedies provided in this Agreement to the City, and all rights and remedies granted to it by law and equity shall be cumulative and concurrent. No termination of any provision of this Agreement shall deprive the City of any of its remedies or actions against the Entity because of its failure to pay Land Taxes, Minimum Annual Service Charge, Annual Service Charge, Affordable Housing Contribution or Administrative Fees. This right shall apply to arrearages that are due and owing at the time or which, under the terms hereof, would in the future become due as if there had been no termination. Further, the bringing of any action for Land Taxes, Minimum Annual Service Charge, the Annual Service Charge, Affordable Housing Contribution, Administrative Fees, or for breach of covenant or the resort to any other remedy herein provided for the recovery of Land Taxes shall not be construed as a waiver of the rights to terminate the tax exemption or proceed with a tax sale or Tax Foreclosure action or any other specified remedy.

In the event of a Default on the part of the Entity to pay any charges set forth in Article IV, the City among its other remedies, reserves the right to proceed against the Entity's land and property, in the manner provided by the In Rem Tax Foreclosure Act, and any act supplementary or amendatory thereof. Whenever the word taxes appear, or is applied, directly or impliedly to mean taxes or municipal liens on land, such statutory provisions shall be read, as far as is pertinent to this Agreement, as if the charges were taxes or municipal liens on land.

ARTICLE XII- TERMINATION

Section 12.1 Termination Upon Default of the Entity

In the event the Entity fails to cure or remedy the Default within the time period provided in Section 11.2, the City may terminate this Agreement upon thirty (30) days written notice to the Entity [Notice of Termination].

Section 12.2 Voluntary Termination by the Entity

Except for so long as Redevelopment Bonds are outstanding and secured by the Pledged Annual Service Charge (during which period the Entity shall not relinquish its status as a tax exempt project), the Entity may notify the City that it will relinquish its status as a tax exempt project, after the expiration of one year from the Substantial Completion of the Phase I Project, as of the January 1 of the year next ensuing. The Notice of Voluntary Termination must be received by the City no later than October 1st of the tax year preceding the calendar year in which the termination is to occur. As of the date so set, the tax exemption, the Annual Service Charges and the profit and dividend restrictions shall terminate. However, under no circumstances will the Entity be entitled to any refund, in whole or in part, of any funds paid to the City to obtain the tax exemption, including but not limited to the Affordable Housing Contribution.

Section 12.3 Final Accounting

Within ninety (90) days after the date of termination, whether by affirmative action of the Entity or by virtue of the provisions of the Law or pursuant to the terms of this Agreement, the Entity shall provide a final accounting and pay to the City the reserve, if any, pursuant to the provisions of N.J.S.A. 40A:20-13 and 15 as well as any remaining excess Net Profits. For purposes of rendering a final accounting the termination of the Agreement shall be deemed to be the end of the fiscal year for the Entity.

Section 12.4 Conventional Taxes

Upon Termination or expiration of this Agreement, the tax exemption for the Phase I Project shall expire and the land and the Improvements thereon shall thereafter be assessed and conventionally taxed according to the general law applicable to other nonexempt taxable property in the City.

ARTICLE XIII - DISPUTE RESOLUTION

Section 13.1 Arbitration

In the event of a breach of the within Agreement by either of the parties hereto or a dispute arising between the parties in reference to the terms and provisions as set forth herein, either party may apply to the Superior Court of New Jersey by an appropriate proceeding, to settle and resolve the dispute in such fashion as will tend to accomplish the purposes of the Law. In the event the Superior Court shall not entertain jurisdiction, then the parties shall submit the dispute to the American Arbitration Association in New Jersey to be determined in accordance with its rules and regulations in such a fashion to accomplish the purpose of the Long Term Tax Exemption Law. The Entity shall pay the City's cost for the arbitration if the City is the prevailing party. The parties agree that the Entity may not file an action in Superior Court or with the Arbitration Association unless the Entity has first paid in full all charges defined in Section 4.7 as Material Conditions.

Section 13.2 Appeal of Assessment

In calculating the amount of taxes otherwise due for any purpose, the Entity may file an appeal of the conventional assessment with the Hudson County Tax Board or the Superior Court of New Jersey, Tax Court to determine the value of land and Improvements.

ARTICLE XIV - WAIVER

Section 14.1 Waiver

Nothing contained in this Financial Agreement or otherwise shall constitute a waiver or relinquishment by the City of any rights and remedies, including, without limitation, the right to terminate the Agreement and tax exemption for violation of any of the conditions provided herein. Nothing herein shall be deemed to limit the City's right to audit or recover any amount which the City has under law, in equity, or under any provision of this Agreement.

ARTICLE XV – INDEMNIFICATION

Section 15.1 Defined

It is understood and agreed that in the event the City shall be named as party defendant in any action by a third party alleging any breach, default or a violation of any of the provisions of this Agreement and/or the provisions of N.J.S.A. 40A:20-1 et seq., the Entity shall indemnify and hold the City harmless against any and all liability, loss, cost, expense (including reasonable attorneys' fees and costs, through trial and all stages of any appeal, including the cost of enforcing this indemnity) arising out of this Agreement. In addition, the Entity expressly waives all statutory or common law defenses or legal principles which would defeat the purposes of this indemnification. The Entity also agrees to defend the suit at its own expense. However, the City maintains the right to intervene as a party thereto, to which intervention the Entity consents; the expense thereof to be borne by the City.

ARTICLE XVI- NOTICE

Section 16.1 Certified Mail

Any notice required hereunder to be sent by either party to the other shall be sent by certified or registered mail, return receipt requested.

Section 16.2 Sent by City

When sent by the City to the Entity the notice shall be addressed to:

Journal Square I Urban Renewal LLC
520 US Highway 22, P.O. Box 6872
Bridgewater, NJ 08807
Attn: David B. Kahan, Esq.

And

DeCotiis, FitzPatrick & Cole, LLP
Glenpointe Centre West
500 Frank W. Burr Blvd., Suite 31
Teaneck, NJ 07666
Attn: Jeffrey G. Kramer, Esq.

unless prior to giving of notice the Entity shall have notified the City in writing otherwise.

In addition, provided the City is sent a formal written notice in accordance with this Agreement, of the name and address of Entity's Mortgagee, the City agrees to provide such Mortgagee with a copy of any notice required to be sent to the Entity.

Section 16.3 Sent by Entity

When sent by the Entity to the City, it shall be addressed to:

City of Jersey City, Office of the City Clerk
City Hall
280 Grove Street
Jersey City, New Jersey 07302

with copies sent to the Corporation Counsel, the Business Administrator, and the Tax Collector unless prior to the giving of notice, the City shall have notified the Entity otherwise. The notice to the City shall identify the Phase I Project to which it relates (i.e., the Urban Renewal Entity and the Property's Block and Lot number).

ARTICLE XVII-SEVERABILITY

Section 17.1 Severability

If any term, covenant or condition of this Agreement or the Application, except a Material Condition, shall be judicially declared to be invalid or unenforceable, the remainder of this Agreement or the application of such term, covenant or condition to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term, covenant or condition of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

If a Material Condition shall be judicially declared to be invalid or unenforceable and provided the Entity is not in Default of this Agreement, the parties shall cooperate with each other to take the actions reasonably required to restore the Agreement in a manner contemplated by the parties and the Law. This shall include, but not be limited to the authorization and re-execution of this Agreement in a form reasonably drafted to effectuate the original intent of the parties and the Law. However, the City shall not be required to restore the Agreement if it would modify a Material Condition, the amount of the periodic adjustments or any other term of this Agreement which would result in any economic reduction or loss to the City.

ARTICLE XVIII - MISCELLANEOUS

Section 18.1 Construction

This Agreement shall be construed and enforced in accordance with the laws of the State of New Jersey, and without regard to or aid of any presumption or other rule requiring construction against the party drawing or causing this Agreement to be drawn since counsel for both the Entity and the City have combined in their review and approval of same.

Section 18.2 Conflicts

The parties agree that in the event of a conflict between the Application and the language contained in the Agreement, the Agreement shall govern and prevail. In the event of conflict between the Agreement and the Law, the Law shall govern and prevail.

Section 18.3 Oral Representations

There have been no oral representations made by either of the parties hereto which are not contained in this Agreement. This Agreement, the Ordinance authorizing the Agreement, and the Application constitute the entire Agreement between the parties and there shall be no modifications thereto other than by a written instrument approved and executed by both parties and delivered to each party.

Section 18.4 Entire Document

This Agreement and all conditions in the Ordinance of the Municipal Council approving this Agreement are incorporated in this Agreement and made a part hereof.

Section 18.5 Good Faith

In their dealings with each other, utmost good faith is required from the Entity and the City.

ARTICLE XIX – SCHEDULES AND EXHIBITS

Section 19.1 Schedules

The following Schedules are attached hereto and incorporated herein as if set forth at length herein:

1. Base Annual Service Charge and Pledged Annual Service Charge.

Section 19.2 Exhibits

The following Exhibits are attached hereto and incorporated herein as if set forth at length herein:

1. Metes and Bounds description of the Project;
2. Ordinance of the City authorizing the execution of this Agreement;
3. The Application with Exhibits;
4. Certificate of the Entity;
5. Estimated Construction Schedule;
6. The Financial Plan for the undertaking of the Phase I Project;
7. Good Faith Estimate of Initial Rental Schedule and Lease Terms;
8. Project Employment and Contracting Agreements and Project Labor Agreement;
9. Architect's Certification of Actual Construction Costs;

10. Entity's Deed to be provided upon recordation;
11. Executed Project Labor Agreement.

IN WITNESS WHEREOF, the parties have caused these presents to be executed the day and year first above written.

WITNESS:

JOURNAL SQUARE I URBAN RENEWAL LLC
By: Journal Square Associates LLC, its sole Member
By: Journal Square Corp., its Manager

By: Murray Kushner, President

ATTEST:

CITY OF JERSEY CITY

Robert Byrne, RMC, City Clerk

Robert J. Kakoleski, CMFO, Acting Business
Administrator

SCHEDULE 1

BASE ANNUAL SERVICE CHARGES

<u>Year</u>	<u>Base Annual Service Charge</u>
1	The Base Annual Service Charge shall be \$500.00 per residential unit ("Unit").
2	The Base Annual Service Charge shall be \$500.00 per Unit.
3	The Base Annual Service Charge shall be \$750.00 per Unit.
4	The Base Annual Service Charge shall be \$750.00 per Unit.
5	The Base Annual Service Charge shall be \$750.00 per Unit.
6 – 7	The Base Annual Service Charge shall be \$750.00 per Unit.
8 – 10	The Base Annual Service Charge shall be \$1,010.00 per Unit.
11 – 15	The Base Annual Service Charge shall be \$1,286.00 per Unit.
16 – 20	The Base Annual Service Charge shall be \$1,342.00 per Unit.
21 – 25	The Base Annual Service Charge shall be \$2,000.00 per Unit.
26 – 30	The Base Annual Service Charge shall be \$2,300.00 per Unit.

Note:

1. The Base Annual Service Charge shall be paid in equal quarterly installments on those dates when real estate tax payments are due.

SCHEDULE 1, cont'd

PLEDGED ANNUAL SERVICE CHARGES

<u>Years</u>	<u>Pledged Annual Service Charge</u>
[1-25]	The Pledged Annual Service Charge shall be [\$515,000.00].

Notes:

1. The Pledged Annual Service Charge shall be paid in equal quarterly installments on those dates when real estate tax payments are due.
2. The Pledged Annual Service Charge shall be set in amounts necessary to repay Redevelopment Bonds, including annual costs with respect thereto. The Pledged Annual Service Charge shall be adjusted upon completion of each of the Phase II Project and Phase III Project to allocate a portion of such service charge to such projects. The Pledged Annual Service Charge shall also be adjusted, at the direction of the Entity, to reflect any redemption, refunding, prepayment or other change in the debt service requirements with respect to the Redevelopment Bonds.

DATE: October 25, 2013
TO: For distribution to City Council and City Clerk
FROM: AI Cameron Tax Collector's Office
SUBJECT: TAX ABATEMENT: Journal Square I Urban Renewal, L.L.C., Phase I
Block 9501, Lots 4-8 & 10-16
CC:J. Thieroff, M. Cosgrove, J. Monahan, D. Jeffrey

INTRODUCTION:

The applicant, Journal Square I Urban Renewal, L.L.C., is applying for a thirty (30) Year tax abatement under N.J.S.A. 40 A: 20-1 et seq. The applicant is also requesting Redevelopment Area Bond financing.

LOCATION OF THE PROPERTY:

The property is located at 595-621 Pavonia Avenue, 535-539 Summit Avenue and 136 Magnolia Avenue. It consists of Block 9501 Lots 4-8 & 10-16. It is approximately 2.23 acres.

PROPERTY TO BE CONSTRUCTED:

Phase I will be a fifty-four (54) story mixed use residential project consisting of five hundred and forty (540) residential units and four thousand (4,000) sq. Ft. of commercial space. There will be a seven (7) story parking garage with one hundred fifty-three (153) parking spaces.

ESTIMATED TOTAL PROJECT COST:

The estimated total project cost is \$203,679,187. The cost of construction is estimated to be \$153,657,000.

CONSTRUCTION SCHEDULE:

Construction is scheduled to begin in December 2013 and completed in approximately three (3) years.

ESTIMATED JOBS CREATED:

The applicant estimates that there will be seven hundred eleven (711) jobs created during Construction and twenty-five (25) permanent jobs after construction

AFFORDABLE HOUSING TRUST FUND CONTRIBUTIONS:

The applicant proposes an AHTF contribution of \$816,000 for the residential units and Commercial space. However; there may be an additional fee due for the parking Garage depending upon the availability for public use.

CURRENT REAL ESTATE TAXES:

The Tax Assessor determined the total assessed value for the twelve (12) lots proposed for the entire project is \$4,415,500. Using the current tax rate of \$74.66 per thousand, the total annual taxes for the land is \$329,661.23. The applicant has not identified the specific lots that are in the Phase I development. However; based upon the number of units in each phase the allocated land tax for phase I would be \$96,751.89. Using the same formula Phase II would be \$125,413.87, Phase III would be \$107,495.47 and the total for all three phases would be \$329,661.23.

PROPOSED ABATEMENT:

The applicant has requested a term of thirty (30) years for the abatement on the improvements. The Applicant has submitted a schedule of payments to be known as the Base Service Charge. The Base Service Charge is determined upon a fixed per unit service charge beginning at \$500 per residential unit in years one (1) and two (2) and increasing in steps to \$2,300 per unit in year twenty-six (26). The Minimum Service Charge for phase I is \$119,334 which includes the land tax of \$96,751.89. Service charges for commercial, miscellaneous or parking revenue are included in the Base Service Charge.

The Applicant will make a nonrefundable upfront payment of \$1,797,000 within five (5) business days of substantial completion as defined in the Financial Agreement. Using a factor of seven percent (7%) the present value of that upfront payment would effectively increase the Base Service charge to \$1,200 per unit in years one (1) through five (5) and to \$1,248 in years six (6) through ten(10).

The applicant has requested a credit for the land taxes entire project against the PILOT for Phase I for the first five (5) years only. That amount would be \$329,661.23. The applicant would also pay a Service Charge five percent to Hudson County and an administrative fee one half of one percent (0.05%) to the City.

PROPOSED REVELOPMENT AREA BOND (RAB):

The applicant anticipates the need for substantial infrastructure improvements. To help meet this need the applicant has requested that the Jersey City Redevelopment Agency issue \$ 10 Million in redevelopment bonds for this purpose. The Developer will pay a Pledged Annual Service Charge to be used

solely for the payment of the RAB. The amount of the Pledged Annual Service Charge is \$515,000.00 payable each year. The Pledged Annual Service charge is in addition to the Base Service Charge listed above. The Pledged Annual Service Charge will be adjusted and redistributed among additional phases as they are completed. The Pledged Annual Service Charge shall terminate when the RAB is fully paid or when the Bonds are no longer secured by the Pledged Annual Service Charge.

PROPOSED REVENUE TO THE CITY:

The Base Annual Service Charge in year one (1) is \$500 per residential unit. The Minimum Service Charge is \$119,334. Based upon the lease up rate of twenty-seven (27) units per month the minimum payment would be the first year's payment of \$119,334, which includes the land tax of \$96,751.89. In year two based upon the lease up schedule the payment would be approximately \$238,500. In year three (3) the Base Annual Service Charge increases to \$750 per unit and the estimated Base Annual Service Charge for years three (3) through Seven (7) would be \$405,000 per year.

The present value of the upfront payment would effectively increase the Base Service charge to \$1,200 per unit each year in years one (1) through five (5) or a total annual payment of \$648,000.

The Pledged Annual Service Charge to be set aside to pay the Redevelopment Area Bonds (RAB) is \$515,000. The Pledged Annual Service Charge is payable each year for as long as the bonds are outstanding. Since the Pledged Annual Service Charge shall terminate when the RAB is fully paid or when the Bonds are no longer secured by the Pledged Annual Service Charge, it should not be considered revenue to the City.

FISCAL IMPACT COST ANALYSIS: See attached.

CONCLUSION:

Journal Square is an area that has been in decline in recent years. The need to restore Journal Square to its former stature cannot be understated, both for the residents of that area and the economics of the City as a whole. The project proposed by KRE represents the first substantial project to be built in Journal Square in more than 30 years. The first phase of this project is 54 stories and will not only improve Journal Square, but also once again reshape the city's entire skyline. Overall this \$660 million construction project will create hundreds of jobs and will pay \$2.8 million into the city's affordable housing trust fund.

The underlying benefits of having a project of this significance commence weighs heavily in favor of this application being approved, notwithstanding the fiscal impact cost analysis (attached).

FISCAL IMPACT COST PROJECTION (MARKET RATE CONDOMINIUMS)
 Entity: JOURNAL SQUARE | URBAN RENEWAL
 Block: 9501 Lot: 4 - 8, 10 - 16

Condo Units with Retail & Parking Planned Development	Number of Units	Demographic Multipliers Household	Students	Residents	Total		Annual Expenditures		Total Annual Expenditures	
					Students	Residents	Per Capita Municipal	Per Pupil Per-School District	Municipal	School District
Studio	145	1,000	0,000	145.00	0.00	\$1,153.91	\$3,005.00	\$167,316.95	\$0.00	\$167,316.95
1 - Bedroom	327	1,421	0,000	464.67	0.00	\$1,153.91	\$3,005.00	\$536,183.90	\$0.00	\$536,183.90
2 - Bedroom	57	2,012	0,032	114.68	1.82	\$1,153.91	\$3,005.00	\$132,335.01	\$5,481.12	\$137,816.13
3 - Bedroom	11	2,798	0,038	30.78	0.42	\$1,153.91	\$3,005.00	\$35,515.04	\$1,256.09	\$36,771.13
TOTAL	540							\$835,835.86	\$6,737.21	\$878,088.11

1. Total Municipal Ratables Commercial Ratables	\$5,795,484,561 \$1,374,936,492	4. Fiscal Year 2013 Budget	\$500,097,007	6. Population of Jersey City (2010 Census)	247,597	9. Increase in Services Incurred Per Development	\$878,088.11
2. Residential Ratables	\$3,310,951,465	7. Per Capita Municipal Cost Municipal Portion	\$1,153.91	10. Anticipated Gross PILOT \$1,200/unit Add'l Pledged Serv Ch 0.5% Admin less land tax Phase I	\$648,000.00 \$515,000.00 \$5,815.00 -\$96,751.89	11. Net PILOT & J.C.'s Portion of Land Tax	\$1,072,063.11
3. Residential Ratables as a Percentage of Total Ratables	57.13%	8. Annual Expenditures Per Student Municipal Portion	\$3,005.00	12. Implied Surplus	\$193,975.00		
		5. Residential Portion	\$285,704,654				

Classic Average costing approach for projecting the impact of population change and local Municipal and School District costs.

OFFICE

GLENPOINTE CENTRE WEST

500 FRANK W. BURR BLVD. SUITE 31

TEANECK, NEW JERSEY 07666

T: 201.928.1100 F: 201.928.0588

WWW.DECOTIISLAW.COM

October 24, 2013

Via email and First Class Mail

Diana Jeffrey, Esq.
City of Jersey City, Law Dept.
City Hall
280 Grove Street
Jersey City, New Jersey 07302

**Re: Application for Tax Exemption
Journal Square I Urban Renewal LLC
Project: Phase 1 of Journal Squared, 595-621 Pavonia Avenue, 535-539
Summit Avenue and 136 Magnolia Avenue**

Dear Ms. Jeffrey:

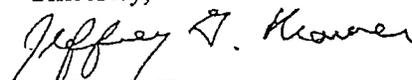
Please accept this letter as our formal supplement to the above referenced Application for Tax Exemption, dated September 26, 2013. The Application is supplemented by each of the following:

1. Fiscal Plan, provided to you on October 1, 2013 (copy enclosed);
2. Revised Total Project Cost certification, provided to you on October 16, 2013 (copy enclosed); and
3. Conveyance Agreements, provided to you on October 24, 2013 (copy enclosed).

We also provided to you revised drafts of our proposed form of Financial Agreement on each of October 9, 2013, October 18, 2013 and October 24, 2013. Because that agreement is technically the City's document, we have not enclosed copies of those drafts.

Please feel free to contact me with any questions. Thank you in advance for your time and consideration in this matter.

Sincerely,


Jeffrey G. Kramer

Encl.

cc: Journal Square I Urban Renewal LLC (w/ encl.)
Joanne Monahan, Esq. (w/ encl. via email)
Chris Walrath, Esq. (w/ encl. via email)



Journal Squared
Operating Projections
FIRST STABILIZED YEAR

		Phase I		
Estimated Total Project Cost ¹ (per N.J.S.A. 40a:20-3(h))		\$203,679,187		
INCOME		<u>Size</u>	<u># Units</u>	<u>Rent/Mo.</u>
	0 BR	496 sf	145	\$1,750
	1 BR	701 sf	289	\$2,150
	1 BR+	825 sf	38	\$2,250
	2 BR	1,056 sf	57	\$2,550
	3 BR	1,162 sf	<u>11</u>	\$2,850
Total Units/Avg Size		540		
Average Unit Size		702 sf		
Average Rents		Per Month \$2,106		
		Per SF/Year \$36.03		
Total Income From Rent		\$13,647,600		
Other Income (Parking, Retail, Other)		\$923,190		
Vacancy 3%		(\$437,124)		
Gross Operating Income		\$14,133,666		

EXPENSES

Total Operating Expenses (before RE Taxes) ²		\$3,569,165
RE Taxes - PILOT Payment - First Year Op ³	\$500 /u	\$270,000
Admin Charge	2%	\$5,400
Gross Operating Expenses		\$3,844,565

Net Operating Income \$10,289,101

Debt Service

Loan Amount ⁴	117,589,725
Interest Rate	5.0%
Term	30
Constant	6.44%
Debt Service Payment	\$7,574,965

Net Income \$2,714,136

- (1) Assumes Phase I Hard Costs at \$250 psf and annual growth for Phases II & III
- (2) Assumes 3% annual growth over 5 years
- (3) Prior to optional prepayment of annual PILOT, as per Financial Agreements
- (4) Loan Proceeds are calculated based upon Lenders' DSCR, LTV, and Debt Yield requirements.

EXHIBIT C
JOURNAL SQUARE I URBAN RENEWAL LLC

Total Project Cost

Estimated Total Project Cost Calculation per N.J.S.A 40A:20-3(h):

Item	Phase I
A. Cost of land and improvements to Urban Renewal Entity	\$14,697,500
B. Architects, Engineers, surveying and Attorney Fees (paid or payable) in connection with the planning, construction and financing of the Project	\$8,672,000
C. Projected construction cost per architect's estimate Bids include site preparation	\$153,657,000
D. Insurance, Interest, and Finance costs during Construction	\$15,308,612
E. Cost of Obtaining Initial Permanent Financing	\$1,449,225
F. Marketing and other expenses payable in connection with the initial lease of units	\$2,053,000
G. Real Estate Taxes and Assessments during Construction Period	\$159,000
H. Developer's Overhead based on a percentage of (c) above, to be computed in accordance with percentage given in law N.J.S.A. 40A:20-3 (h)	\$7,682,850
Total Project Cost	\$203,679,187

EXHIBIT C-1

JOURNAL SQUARE I URBAN RENEWAL LLC

Certification of Estimated Construction Costs

See attached.

October 16, 2013

KRE Group

Re: Journal Square I Urban Renewal LLC – Phase I Project (the “Project”)
Certification of Estimated Construction Costs

Dear Sirs:

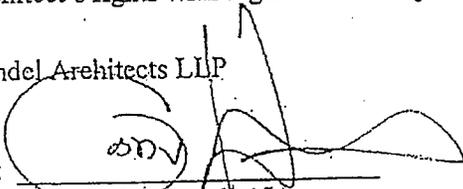
The undersigned (the “Architect”) being the architect for the Project to be developed by Journal Square I Urban Renewal LLC (the “Owner”) does hereby certify, in Architect’s professional opinion, based upon: (i) Architect’s knowledge, information, and belief obtained through Architect’s performance of its professional services on the Project in accordance with the professional standards of skill and care ordinarily exercised by other architects providing similar services in the same locale under similar circumstances and conditions and (ii) representations, information, and services provided by others on the Project, that, as of this date, the estimated construction cost of \$153,657,000 provided to the Architect for Phase I of the Project (as such Project is shown on the current plans and specifications prepared by the design team) appears reasonable.

This is an estimate only and Architect has no control over the cost of labor, materials, or equipment, or over competitive bidding, market, or negotiating conditions. Accordingly, Architect does not warrant the accuracy of the cost estimate.

Finally, this certification is being provided solely for the benefit of Owner and nothing contained in this certificate shall (i) create a contractual relationship with or a cause of action in favor of a third party against Architect or (ii) increase Architect’s duties or obligations or decrease Architect’s rights with regard to the Project or otherwise.

Handel Architects LLP

By:


Gary E. Handel, AIA

REAL PROPERTY CONVEYANCE AGREEMENT

THIS REAL PROPERTY CONVEYANCE AGREEMENT ("Agreement") is made as of the 25th day of September, 2013 by and between JOURNAL SQUARE ASSOCIATES, LLC, a New Jersey limited liability company having its principal office at c/o KRE Group, 520 US Highway 22, P.O. Box 6872, Bridgewater, New Jersey 08807 ("JSA"), and JOURNAL SQUARE I URBAN RENEWAL LLC, an urban renewal entity formed and qualified to do business under the provisions of the Long Term Tax Exemption Law of 1992, as amended and supplemented, N.J.S.A. 40A:20-1 et seq. (the "Long Term Tax Exemption Law"), having its principal office at c/o KRE Group, 520 US Highway 22, P.O. Box 6872, Bridgewater, New Jersey 08807 (the "JS I LLC").

WITNESSETH:

WHEREAS, JSA owns certain real property designated as Block 9501, Lots 4 through 8, inclusive, and 10 through 16, inclusive, as shown on the official current tax map of the City of Jersey City, New Jersey ("City"), more commonly known by the street addresses of 595-621 Pavonia Avenue, 535-539 Summit Avenue and 136 Magnolia Avenue, and more particularly described by the metes and bounds description set forth as Exhibit 1 to this Agreement (the "Property"); and

WHEREAS, JSA is the sole member of each of JS I LLC, Journal Square II Urban Renewal LLC ("JS II LLC"), and Journal Square III Urban Renewal LLC ("JS III LLC"); and

WHEREAS, JSA will record a Master Deed (the "Master Deed") to submit all of the Property to the condominium form of ownership and incorporate the same as part of a condominium regime under the New Jersey Condominium Act, N.J.S.A. 46:8B-1 et seq., to be known as "Journal Squared Condominium", consisting of three (3) master condominium units to be developed in three (3) phases; and

WHEREAS, JS I LLC will be the owner of master condominium unit 1 ("Master Condo Unit 1") located on the Property, JS II LLC will be the owner of master condominium unit 2 located on the Property, and JS III LLC will be the owner of master condominium unit 3 located on the Property; and

WHEREAS, JS I LLC plans to construct phase 1, which will consist of a 54-story building having approximately 540 market-rate residential rental units, approximately 4,000 square feet of leasing space and potential future commercial space, a parking garage containing approximately 153 parking spaces, and an interim surface parking lot having approximately 74 parking spaces, together with a pedestrian mall and public improvements and infrastructure related thereto (collectively, the "Phase I Project"), and JS I LLC will enter into a Financial Agreement with the City with respect to the Phase I Project ("Phase I Financial Agreement"); and

WHEREAS, JS II LLC plans to construct phase 2, which is expected to consist of a 70-story building having approximately 700 market-rate residential rental units, approximately 18,000 square feet of commercial space, and a parking garage containing approximately 522 parking spaces, together with public improvements and infrastructure related thereto ("Phase II Project"), and JS II LLC will enter into a Financial Agreement with the City with respect to the Phase II Project ("Phase II Financial Agreement"); and

WHEREAS, JS III LLC plans to construct phase 3, which is expected to consist of a 60-story building having approximately 600 market-rate residential rental units, approximately 14,000 square feet of commercial space, and a parking garage containing approximately 245 parking spaces, together with public improvements and infrastructure related thereto [Phase III Project], and JS III LLC will enter into a Financial Agreement with the City with respect to the Phase III Project ("Phase III Financial Agreement"); and

NOW, THEREFORE, in consideration of \$10, the mutual covenants herein contained, and for other good and valuable consideration, it is mutually covenanted and agreed as follows:

Section 1. Formation of JS I LLC. On January 2, 2013, JSA caused to be formed JS I LLC in accordance with the New Jersey Limited Liability Company Act. JSA represents and warrants that it is the sole member of JS I LLC, and is the sole owner of the Property.

Section 2. Conveyance to JS I LLC. Promptly following the recordation of the Master Deed, JSA shall convey to JS I LLC a Bargain and Sale Deed to Master Condo Unit 1 (the "Deed"), together with such customary Affidavits of Title as may be reasonably required and are reasonably acceptable to JS I LLC, and JS I LLC shall accept the Deed.

Section 3. Representations and Warranties. As of the date hereof, each party represents and warrants to the other the following:

3.1 Existence and Capacity. It is duly organized and validly existing in good standing under the laws of the State of New Jersey, and has the requisite power and authority to enter into this Agreement, to perform its obligations hereunder, and to conduct its business as now being conducted.

3.2 Binding Agreement. This Agreement constitutes the valid and legally binding obligations of such party, enforceable against it in accordance with the respective terms hereof.

3.3 Application for Tax Exemption. The parties shall cooperate in the submission and prosecution of an application for a property tax abatement for the Phase I Project. JS I LLC shall be expressly permitted to rely upon the covenants herein in submitting such application and executing the Phase I Financial Agreement in connection therewith, and developing the Phase I Project.

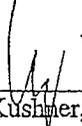
IN WITNESS WHEREOF, the parties have caused these presents to be executed the day and year first above written.

WITNESS:

JOURNAL SQUARE ASSOCIATES LLC

By: Journal Square Corp., its Manager

Linda A. McKay


By: Murray Kushner, President

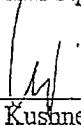
WITNESS:

JOURNAL SQUARE I URBAN RENEWAL LLC

By: Journal Square Associates LLC, its sole Member

By: Journal Square Corp., its Manager

Linda A. McKay


By: Murray Kushner, President

City Clerk File No. Ord. 13.123

Agenda No. 3.B 1st Reading

Agenda No. 2nd Reading & Final Passage

THIS ORDINANCE SECURES BONDS OR OTHER OBLIGATIONS ISSUED IN ACCORDANCE WITH THE PROVISIONS OF THE "REDEVELOPMENT AREA BOND FINANCING LAW" AND THE LIEN HEREOF IN FAVOR OF THE OWNERS OF SUCH BONDS OR OTHER OBLIGATIONS IS A MUNICIPAL LIEN SUPERIOR TO ALL OTHER NON-MUNICIPAL LIENS HEREINAFTER RECORDED

ORDINANCE OF JERSEY CITY, N.J.



COUNCIL AS A WHOLE
offered and moved adoption of the following ordinance:

CITY ORDINANCE 13.123

TITLE:
ORDINANCE APPROVING THE EXECUTION OF A FINANCIAL AGREEMENT WITH JOURNAL SQUARE II URBAN RENEWAL LLC AND OTHER APPLICABLE DOCUMENTS RELATED TO THE AUTHORIZATION AND ISSUANCE BY THE JERSEY CITY REDEVELOPMENT AGENCY OF NOT TO EXCEED \$10,000,000 REDEVELOPMENT AREA BONDS (NON-RECOURSE TO THE FULL FAITH AND CREDIT OF THE CITY) AND DETERMINING VARIOUS OTHER MATTERS IN CONNECTION THEREWITH

THE MUNICIPAL COUNCIL OF THE CITY OF JERSEY CITY DOES ORDAIN:

WHEREAS, on September 11, 2013, the Municipal Council of the City of Jersey City, in the County of Hudson, New Jersey (the "City"), adopted Ordinance No. 13-092, which designated various properties, including, but not limited to, Block 9501, Lots 4 (621 Pavonia Avenue), 5 (619 Pavonia Avenue), 6 (617 Pavonia Avenue), 7 (615 Pavonia Avenue), 8 (605 Pavonia Avenue), 10 (601 Pavonia Avenue), 11 (597 Pavonia Avenue), 12 (595 Pavonia Avenue), 13 (539 Summit Avenue), 14 (537 Summit Avenue), 15 (535 Summit Avenue), and 16 (136 Magnolia Avenue) as shown on the official current tax map of the City, as an area in need of redevelopment (the "Redevelopment Area" and also referred to as the "Project Premises") for purposes of the Local Redevelopment and Housing Law, constituting Chapter 79 of the Pamphlet Laws of 1992 of the State of New Jersey (the "State"), and the acts amendatory thereof and supplemental thereto (the "Redevelopment Law", as codified by N.J.S.A. 40A:12A-1 et seq.); and

WHEREAS, on July 14, 2010, the Municipal Council of the City adopted Ordinance No. 10-103, approving a redevelopment plan for the Redevelopment Area, entitled "Journal Square 2060 Redevelopment Plan" as the same may be amended and supplemented from time to time (the "Redevelopment Plan"); and

WHEREAS, the Redevelopment Area is governed by the Redevelopment Plan; and

WHEREAS, Journal Square Associates LLC ("JSA" or the "Redeveloper") is the fee title owner of the Project Premises; and

WHEREAS, the Redeveloper has made application to the Jersey City Redevelopment Agency (the "Agency") to be designated as the redeveloper to redevelop the Project Premises; and

WHEREAS, the Agency has reviewed the proposal of the Redeveloper and related submissions and has determined that it is in the Agency's best interests to select the Redeveloper as the designated redeveloper for the Project Premises for purposes of negotiating an agreement for the redevelopment of the designated area; and

WHEREAS, the Redeveloper will record a Master Deed (as the same may be amended and supplemented, the "Master Deed") to submit all of the Project Premises to the condominium form of ownership and incorporate the same as part of a condominium regime under the New Jersey Condominium Act, N.J.S.A. 46:8B-1 et seq., to be known as "Journal Squared Condominium"; and

WHEREAS, the Master Deed will create three (3) condominium units with land (common elements) proportioned to the total square footage or units in each condominium unit; and

WHEREAS, Journal Square I Urban Renewal LLC ("JS I"), wholly-owned by JSA, is or will be the owner of master condominium unit 1 located on the Project Premises, upon which JS I plans to construct phase I of the redevelopment plan, which is expected to consist of a 54-story building having approximately 540 market-rate residential rental units, approximately 4,000 square feet of leasing space and potential future commercial space, a parking garage containing approximately 153 parking spaces, together with a pedestrian mall and public improvements and infrastructure related thereto, and will utilize an interim surface parking lot having approximately 74 parking spaces located on the adjoining Phase II property (collectively, the "Phase I Project"); and

WHEREAS, Journal Square II Urban Renewal LLC ("JS II"), wholly-owned by JSA, is or will be the owner of master condominium unit 2 located on the Project Premises, upon which JS II plans to construct phase II of the redevelopment plan, which is expected to consist of a 70-story building having approximately 700 market-rate residential rental units, approximately 18,000 square feet of leasing space and potential future commercial space, and a parking garage containing approximately 522 parking spaces (collectively, the "Phase II Project"); and

WHEREAS, Journal Square III Urban Renewal LLC ("JS III"), wholly-owned by JSA, is or will be the owner of master condominium unit 3 located on the Project Premises, upon which the Entity plans to construct phase III of the redevelopment plan, which is expected to consist of a 60-story building having approximately 600 market-rate residential rental units, approximately 14,000 square feet of leasing space and potential future commercial space, and a parking garage containing approximately 245 parking spaces (collectively, the "Phase III Project" and, together with the Phase I Project and Phase II Project, the "Project"); and

WHEREAS, the Redevelopment Area requires certain on-site and off-site public improvements and infrastructure, including a pedestrian mall, certain of which will be undertaken by the Redeveloper in connection with the Phase I Project, but which benefit the entire Project, including, if and when completed, the Phase II Project and Phase III Project; and

WHEREAS, pursuant to N.J.S.A. 40A:12A-66, a municipality that has designated a redevelopment area may provide for tax exemption within that redevelopment area and for payments in lieu of taxes in accordance with the provisions of the Long Term Tax Exemption Law of 1992, constituting Chapter 431 of the Pamphlet Laws of 1991 of the State of New Jersey, and the Acts amendatory thereof and supplemental thereto (the "Tax Exemption Law", as codified in N.J.S.A. 40A:12A-1 et seq.); provided, however, that the provisions of section 12 of the Tax Exemption Law (N.J.S.A. 40A:20-12) establishing a minimum or maximum annual service charge and requiring staged increases in annual service charges over the term of the exemption period, and of section 13 of the Tax Exemption Law (N.J.S.A. 40A:20-13) permitting the relinquishment of status under that law, shall not apply to redevelopment projects financed with bonds; and

WHEREAS, pursuant to the Tax Exemption Law, the City is authorized to provide for tax exemption within a redevelopment area and for payments in lieu of taxes in accordance with the applicable provisions thereof; and

WHEREAS, JS II, the contract purchaser of condominium unit 2, under the agreement dated September 25, 2013, has submitted an application to the City for the approval of Phase II Project, as such term is used in the Tax Exemption Law, all in accordance with N.J.S.A. 40A:20-8 (the "Exemption Application", a copy of which is attached hereto as Exhibit A); and

WHEREAS, included in the Exemption Application is a request for a tax exemption and payment in lieu of taxes pursuant to the Tax Exemption Law and the Redevelopment Bond Law; and

WHEREAS, the Exemption Application contains documentation evidencing financial responsibility and capability with respect to the proposed development; estimated total development costs; estimated time schedule for start and completion of the proposed development; and conceptual plans; and

WHEREAS, the City evaluated the Exemption Application according to criteria which included financial capabilities, experience, expertise, and project concept descriptions; and

WHEREAS, in order to enhance the economic viability of and opportunity for a successful project, the City will enter into a Financial Agreement with JS II, governing payments made to the City in lieu of real estate taxes on the Phase II Project pursuant to the Tax Exemption Law (the "Financial Agreement"); and

WHEREAS, to finance certain aspects of the Project, the Jersey City Redevelopment Agency (the "Agency") will issue bonds in an aggregate principal amount of up to \$10,000,000 (the "Redevelopment Area Bonds") pursuant to the Redevelopment Bond Law, debt service for the repayment of which Redevelopment Area Bonds will come from the Pledged Annual Service Charge (as that term is defined in the Financial Agreement attached hereto); and

WHEREAS, the City and JS II have each agreed that the Base Annual Service Charge (as that term is defined in the Financial Agreement attached hereto), which is not pledged to the payment of debt service on the Redevelopment Area Bonds, paid by JS II to the City shall be for the City's use in its sole discretion, following payment of the "County Service Charge" (as such term is defined in the Agreements attached hereto) to the County of Hudson, as required by N.J.S.A. 40A:20-12; and

WHEREAS, the City made the following findings:

In accordance with the Tax Exemption Law, specifically N.J.S.A. 40A:20-11, the City hereby finds and determines that the Financial Agreement is to the direct benefit of the health, welfare and financial well-being of the City and its citizens because the Agreement allows for the development of a blighted site into a productive, useful and job-creating property, and further:

- (a) The costs associated to the City with the tax exemption granted herein are minor compared to the estimated Total Project Cost of \$249,512,439 for Phase II and the benefit created by (i) the construction of the Improvements, (ii) the creation of approximately 920 jobs during the construction period and (iii) the creation of approximately 66 permanent jobs through the permanent operation of the Improvements.
- (b) Without the tax exemption granted herein it is highly unlikely that the Phase II Project would otherwise be undertaken, as a source of funding all or a portion of the costs thereof, other than from the proceeds of the Redevelopment Area Bonds, would not otherwise be available; and

WHEREAS, in order to set forth the terms and conditions under which JS II and the City (the "Parties") shall carry out their respective obligations with respect to (a) payment of the Annual Service Charge (as that term is defined in the Financial Agreement attached hereto) by JS II in lieu of real property taxes, and (b) issuance of the Redevelopment Area Bonds by the Agency and provision for repayment thereof by JS II (subject to adjustment as provided in the Financial Agreement), the Parties have determined to execute the Financial Agreement; and

WHEREAS, JS II is qualified to do business under the provisions of the Tax Exemption Law, and has submitted to the Mayor the Exemption Application, which is on file with the Office of the City Clerk, requesting a tax exemption for the Phase II Project; and

WHEREAS, the Mayor has submitted the Exemption Application and Financial Agreement to the Municipal Council with his written recommendation of approval (the "Mayor's Recommendation"), a copy of which is attached hereto as Exhibit B; and

WHEREAS, the Financial Agreement contemplates that the Annual Service Charge will be paid in three (3) categories: the Base Annual Service Charge, to be retained (in addition to payment of the County Service Charge), and the County Annual Service Charge paid by JS II to the City for remittance by the City to Hudson County by the City for Municipal Services as set forth in the Tax Exemption Law; and the Pledged Annual Service Charge, said payments (subject to adjustment as provided in the Financial Agreement) to be dedicated to debt service on the Redevelopment Area

Bonds issued to support certain costs of the Project, pursuant to Redevelopment Bond Law (in addition to payment of the County Service Charge), and the County Annual Service Charge paid by JS II to the City for remittance by the City to Hudson County; and

WHEREAS, pursuant to the Redevelopment Bond Law, the City, in the exercise of its power under the Redevelopment Bond Law, may enter into contracts as necessary, for the purpose of securing the Redevelopment Area Bonds to finance the Project; and

WHEREAS, the Redevelopment Bond Law requires the approval of the New Jersey Local Finance Board prior to the issuance of financial instruments such as the Redevelopment Area Bonds where such financial instruments are to be secured by payments in lieu of taxes such as the Pledged Annual Service Charges (subject to adjustment as provided in the Financial Agreement); and

WHEREAS, the City believes that (a) it is in the public interest for JS II to undertake the Phase II Project; (b) the Phase II Project is for the health, welfare, convenience or betterment of the inhabitants of the City; (c) the amounts to be expended by the City for said Phase II Project are not unreasonable or exorbitant; and (d) the Phase II Project is an efficient and feasible means of providing services for the needs of the inhabitants of the City and will not create an undue financial burden to be placed upon the City; and

WHEREAS, the City further wishes to approve the execution and delivery of a Pledge and Assignment Agreement with the Agency and/or its bond trustee (the "Pledge Agreement"), which Pledge Agreement will provide for, *inter alia*, the pledge and assignment of the Pledged Annual Service Charge to the Agency or its bond trustee as security for the payment of debt service on the Redevelopment Area Bonds; and

WHEREAS, the terms of any trust indenture to be entered into by the Agency in connection with the issuance of the Redevelopment Area Bonds will provide terms and provisions relating to the disbursement of proceeds of the Redevelopment Area Bonds.

NOW, THEREFORE, BE IT ORDAINED BY THE MUNICIPAL COUNCIL OF THE CITY OF JERSEY CITY, IN THE COUNTY OF HUDSON, NEW JERSEY, AS FOLLOWS:

1. JSA has been designated by the Jersey City Redevelopment Agency designated to act as redeveloper for the Phase II Project, in accordance with the Redevelopment Plan and the plans and specifications contained in the Application, subject to the conditions and as more fully set forth in the form of Financial Agreement attached hereto. To the extent of any inconsistency with the definition of the "Phase II Project" as contained in the Redevelopment Agreement, the definition of the Phase II Project as contained herein and in the Financial Agreement shall control.
2. The Exemption Application, a copy of which is attached hereto as Exhibit A, is hereby approved in accordance with the Mayor's Recommendation, a copy of which is attached hereto as Exhibit B.
3. The Municipal Council hereby finds and determines that the Financial Agreement is to the direct benefit of the health, welfare and financial well-being of the City and its citizens because it allows for the development of a blighted site into a productive, useful and job-creating property, and further (a) the costs associated to the City with the tax exemption granted herein are minor compared to the estimated Total Project Cost of \$249,512,439 for Phase II and the benefit created by (i) the construction of the Improvements, (ii) the creation of approximately 920 jobs during the construction period and (iii) the creation of approximately 66 permanent jobs through the permanent operation of the Improvements, and (b) without the tax exemption granted herein it is highly unlikely that the Project would otherwise be undertaken, as a source of funding all or a portion of the costs thereof, other than from the proceeds of the Redevelopment Area Bonds, would not otherwise be available.
4. An exemption from taxation is hereby granted to JS II, with respect to the Phase II Project for the term set forth in the Financial Agreement, but in no event shall the tax exemption

commence until the effective date of the Financial Agreement, nor extend beyond the earlier of (i) thirty-five (35) years from the date of the adoption of this ordinance or (ii) thirty (30) years from the Substantial Completion of the Phase II Project and only so long as the Phase II Project is owned by an entity formed and operating under the Tax Exemption Law. To the extent of any inconsistency with any prior City ordinance and/or Municipal Code provision governing the granting of long-term tax exemptions, including, inter alia, procedures for application, review and approval, required terms of the financial agreement, required conditions and covenants, limits on duration, means of enforcement, and all other matters whatsoever, such prior City ordinances and/or Municipal Code provisions are hereby waived (or, alternatively, shall be deemed to be amended and/or superseded by this ordinance) to the extent of such inconsistency, but only with respect to this Ordinance.

5. The Financial Agreement, in substantially the form attached hereto as Exhibit C, is approved. The Mayor or Business Administrator (Authorized Officers) are each hereby authorized to execute, on the City's behalf, the Financial Agreement in substantially such form, with such changes as the Authorized Officers shall determine, in consultation with the Corporation Counsel, such determination to be conclusively evidenced by their execution of the Financial Agreement. The City Clerk is hereby authorized and directed to attest to the execution of the Financial Agreement by the Authorized Officers of the City as determined hereunder and to affix the corporate seal of the City to the Financial Agreement.
6. Pursuant to the provisions of the Redevelopment Bond Law, specifically N.J.S.A. 40A:12A-67(c) and, if applicable, N.J.S.A. 40A:12A-69, the City is hereby authorized to assign, for the benefit of the Agency and/or its bond trustee and as security for the Redevelopment Area Bonds, all of the City's right, title and interest in and to the Pledged Annual Service Charges. The Pledge Agreement, in substantially the form attached hereto as Exhibit D, is approved. The Authorized Officers, or either of them, are each hereby authorized to execute and deliver, on behalf of the City, the Pledge Agreement in substantially such form, with such changes as the Authorized Officers shall determine, in consultation with the Corporation Counsel, such determination to be conclusively evidenced by their execution of the Pledge Agreement. The Authorized Officers, or either of them, are each hereby further authorized to execute and deliver, on behalf of the City, such additional instruments as they may deem, in consultation with the Corporation Counsel, to be necessary or appropriate for the purpose of effectuating such assignment. The City Clerk is hereby authorized and directed to attest to the execution of the Pledge Agreement and any such additional instruments by the Authorized Officer(s) of the City as determined hereunder and to affix the corporate seal of the City thereto.
7. Executed copies of the Financial Agreement and the Pledge Agreement shall be certified by the City Clerk and filed with the Office of the City Clerk. The Office of the City Clerk shall also forthwith file certified copies of this ordinance and the Financial Agreement with the Director of the Division of Local Government Services pursuant to N.J.S.A. 40A:20-12.
8. Upon the execution of the Financial Agreement as contemplated herein, the Authorized Officers and the City Clerk are each hereby severally authorized and directed to file and record this Ordinance and the Financial Agreement with the Hudson County Register such that the Financial Agreement and this Ordinance shall be reflected upon the land records of the County of Hudson as a lien upon and a covenant running with each and every parcel of land constituting the Parcel. Pursuant to and in accordance with the provisions of the Redevelopment Bond Law, specifically N.J.S.A. 40A:12A-68(c), and notwithstanding any other law to the contrary, upon recordation of both this ordinance and the Financial Agreement, the lien thereof shall be perfected for all purposes in accordance with law and the lien shall thereafter be superior to all non-municipal liens thereafter recorded or otherwise arising, without any additional notice, recording, filing, continuation filing or action, until payment of all of the Redevelopment Area Bonds.
9. The Authorized Officers of the City are hereby further severally authorized and directed to (i) execute and deliver, and the City Clerk is hereby further authorized and directed to attest to such execution and to affix the corporate seal of the City to, any document, instrument or certificate deemed necessary, desirable or convenient by the Authorized Officers or the City Clerk, as applicable, in their respective sole discretion, after consulting with the Corporation

Counsel, to be executed in connection with the execution and delivery of the Financial Agreement and the Pledge Agreement and the consummation of the transactions contemplated thereby, which determination shall be conclusively evidenced by the execution of each such certificate or other document by the party authorized hereunder to execute such certificate or other document, and (ii) perform such other actions as the Authorized Officers deem necessary, desirable or convenient in relation to the execution and delivery thereof.

10. The Phase II Project when completed shall conform with all Federal and State law and ordinances and regulations of the City relating to its construction and use.
11. JS II shall in the operation of the Phase II Project comply with all laws so that no person shall, because of race, religious principles, color, national origin or ancestry, be subject to any discrimination.
12. JS II shall, from the time the Annual Service Charge becomes effective, pay the Annual Service Charge as set forth in the Financial Agreement.
13. All City officers and professionals are hereby authorized to take all necessary and appropriate steps to assist and join with JS II (i) in connection with the required application to the New Jersey Local Finance Board for approval of the issuance of the Redevelopment Area Bonds (in an aggregate principal amount up to \$10,000,000.00 for the Project) for the funding of a part of the cost of the Project and (ii) in connection with the required application to the Agency for approval of its issuance of said Redevelopment Area Bonds.
14. JS II shall pay all outstanding taxes and all outstanding water and sewer charges within thirty (30) days of the adoption of this Ordinance.
15. JS II shall pay all outstanding taxes and all outstanding water and sewer charges within thirty (30) days of the adoption of this Ordinance.
16. Term: the earlier of 35 years from the adoption of the within Ordinance or 30 years from the date the Phase II Project is Substantially Complete.
17. Annual Service Charge: each year the greater of:
 - (a) the Minimum Annual Service Charge equal to the amount of a portion of the total taxes (land and pre-existing improvements) levied against all real property in the area covered by Phase II Project in the last full tax year in which the Property was subject to taxation, which sum is estimated to be approximately \$154,693;
 - (b) the Base Annual Service Charge, as set forth in the Financial Agreement, which sum is estimated to be approximately \$873,600 for the first year; or
 - (c) the Pledged Annual Service Charge.
18. Administrative Fee: 0.5% of the prior year's Annual Service Charge.
19. County Payment: 5% of the Annual Service Charge to be paid by JS II to the City for remittance by the City to Hudson County.
20. Project: A new mixed use market rate residential rental project, Master Condominium Unit 2, which will consist of a 70-story building having approximately 700 market-rate residential rental units, approximately 18,000 square feet of leasing space and potential future commercial space, a parking garage containing approximately 522 parking spaces.
21. Affordable Housing Trust Fund: \$1,500 per unit or \$1,050,000 and \$1.50 per square foot x 18,000 square feet or \$27,000, for a total of \$1,077,000.
22. An obligation to execute a Project Labor Agreement and a Project Employment and Contracting Agreement to insure employment and other economic benefits to City residents and businesses.

23. This Ordinance will sunset and the Tax Exemption will terminate unless construction of the Phase II Project begins within *seven (7)* years of the adoption of the within Ordinance.

A. The City Clerk shall deliver a certified copy of the Ordinance and Financial Agreement to the Tax Assessor and Director of the Division of Local Government Services.

B. The application is on file with the office of the City Clerk. The Financial Agreement and Project Employment and Contracting Agreement shall be in substantially the form on file in the Office of the City Clerk, subject to such modification as the Business Administrator or Corporation Counsel deems appropriate or necessary.

C. All ordinances and parts of ordinances inconsistent herewith are hereby repealed.

D. This ordinance shall be part of the Jersey City Code as though codified and fully set forth therein. The City Clerk shall have this ordinance codified and incorporated in the official copies of the Jersey City Code.

E. This ordinance shall take effect at the time and in the manner provided by law.

F. The City Clerk and Corporation Counsel be and they are hereby authorized and directed to change any chapter numbers, article numbers and section numbers in the event that the codification of this ordinance reveals that there is a conflict between those numbers and the existing code, in order to avoid confusion and possible accidental repealers of existing provisions.

NOTE: All material is new; therefore underlining has been omitted. For purposes of advertising only, new matter is indicated by **bold face** and repealed matter by *italic*.

DJ/he
10/25/13

APPROVED AS TO LEGAL FORM

Corporation Counsel

APPROVED: _____

APPROVED: _____
Business Administrator

Certification Required
Not Required

Record and Return To:

Rev. 10-24-13

Long Term Tax Exemption

N.J.S.A. 40A:20-1, et seq.

(New Market Rate Res Rental FA)

Re: 595-621 Pavonia Avenue, 535-539 Summit Avenue,
136 Magnolia Avenue
Approximately 2.23 Acres
Block 9501, Lots 4-8 and 10-16,
Master Condo Unit 2 and interim surface parking area
Journal Square 2060 Redevelopment Plan, as amended and
supplemented

PREAMBLE

THIS FINANCIAL AGREEMENT [Agreement] is made the ___ day of _____, 2013 by and between **JOURNAL SQUARE II URBAN RENEWAL LLC**, an urban renewal entity formed and qualified to do business under the provisions of the Long Term Tax Exemption Law of 1992, as amended and supplemented, N.J.S.A. 40A:20-1 et seq. [Long Term Tax Exemption Law], having its principal office at c/o KRE Group, 520 US Highway 22, P.O. Box 6872, Bridgewater, New Jersey 08807 [Entity], and the **CITY OF JERSEY CITY**, a municipal corporation of the State of New Jersey, having its principal office at City Hall, 280 Grove Street, Jersey City, New Jersey 07302 [City].

RECITALS

WITNESSETH:

WHEREAS, Journal Square Associates LLC [JSA] owns certain real property designated as Block 9501, Lots 4 through 8, inclusive, and 10 through 16, inclusive, as shown on the official current tax map of the City of Jersey City, New Jersey, more commonly known by the street addresses of 595-621 Pavonia Avenue, 535-539 Summit Avenue and 136 Magnolia Avenue, and more particularly described by the metes and bounds description set forth as Exhibit 1 to this Agreement [Property], which Property is located within the boundaries of the Journal Square 2060 Redevelopment Plan area, as amended and supplemented; and

WHEREAS, the redevelopment of the Journal Square 2060 Redevelopment Plan area requires certain on-site and off-site public improvements and infrastructure, certain of which will be undertaken by the Entity in connection with the Phase I Project (defined below); and

WHEREAS, JSA will record a Master Deed [Master Deed] to submit all of the Property to the condominium form of ownership and incorporate the same as part of a condominium regime under the New Jersey Condominium Act, N.J.S.A. 46:8B-1 et seq., to be known as “[Journal Squared Condominium]”; and

WHEREAS, the Master Deed shall create three (3) master condominium units, with proportionate common elements, to be developed in three (3) phases; and

WHEREAS, JSA and the Entity have entered into a Conveyance Agreement, dated as of September 25, 2013, pursuant to which the Entity will be the owner of master condominium unit 2 ([Master Condo Unit 2]) located on the Property; and

WHEREAS, Journal Square I Urban Renewal LLC [JS I LLC] will be the owner of master condominium unit 1 located on the Property, and Journal Square III Urban Renewal LLC [JS III LLC] will be the owner of master condominium unit 3 located on the Property; and

WHEREAS, the Entity plans to construct phase 2, which will consist of a 70-story building having approximately 700 market-rate residential rental units, approximately 18,000 square feet of retail/restaurant/commercial space, and a parking garage containing approximately 522 parking spaces, together with a pedestrian mall and public improvements and infrastructure related thereto [collectively, the Phase II Project]; and

WHEREAS, JS I LLC plans to construct phase 1, which will consist of a 54-story building having approximately 540 market-rate residential rental units, approximately 4,000 square feet of leasing space and potential future commercial space, a parking garage containing approximately 153 parking spaces, and an interim surface parking lot having approximately 74 parking spaces, together with a pedestrian mall and public improvements and infrastructure related thereto [Phase I Project], and JS I LLC is entering into a Financial Agreement with the City with respect to the Phase I Project on the date hereof [Phase I Financial Agreement]; and

WHEREAS, JS III LLC plans to construct phase 3, which is expected to consist of a 60-story building having approximately 600 market-rate residential rental units, approximately 14,000 square feet of commercial space, and a parking garage containing approximately 245 parking spaces, together with public improvements and infrastructure related thereto [Phase III Project], and JS III LLC is entering into a Financial Agreement with the City with respect to the Phase III Project on the date hereof [Phase III Financial Agreement]; and

WHEREAS, the interim surface parking lot will be designated in the Master Deed as an interim reserved common element for the exclusive use of the Entity until the construction of the Phase II Project, at which time the parking lot will be replaced with the phase 2 building and the 74 parking spaces will be included in Phase II Project; and

WHEREAS, on December 5, 2012, the Phase II Project received a site plan approval from the Planning Board; and

WHEREAS, on September 26, 2013, the Entity filed an Application with the City, as amended by a letter dated October 25, 2013 (as amended, the [Application]), for a long term tax exemption for the Phase II Project; and

WHEREAS, by the adoption of Ordinance _____ on _____, 2013, the Municipal Council approved a long term tax exemption for the Phase II Project and authorized the execution of a Financial Agreement; and

WHEREAS, the City made the following findings:

A. Relative Benefits of the Phase II Project when compared to the costs:

1. the current real estate taxes on the Property, as pro rated for Master Condo Unit 2, generate total revenue of approximately \$154,692.68, whereas, the service charges payable hereunder, as estimated, will generate revenue to the City of an initial amount of not less than \$550,900;

2. the Entity has agreed to pay the City the sum of \$1,077,000, as an affordable housing contribution pursuant to Ordinance 03-112, and the Phase II Project will promote the appropriate development of affordable housing in the area;

3. it is expected that the Phase II Project will create approximately 920 new construction jobs, and 46 new permanent full time jobs;

4. the Phase II Project should stabilize and contribute to the economic growth of existing local business and to the creation of new businesses, which cater to new occupants;

5. the Phase II Project will further the redevelopment objectives of the Journal Square 2060 Redevelopment Plan, which include the promotion of the principals of Smart growth and transit village development;

6. the City's Fiscal Impact Cost Analysis, on file with the Office of the City Clerk indicates that the benefits of the Project outweigh the costs to the City; and

B. Assessment of the Importance of the Tax Exemption in obtaining development of the Phase II Project and influencing the locational decisions of probable occupants:

1. the relative stability and predictability of the annual service charges will make the Phase II Project more attractive to investors and lenders needed to finance the Phase II Project; and

2. the relative stability and predictability of the service charges will allow the owner to stabilize its operating budget, allowing a high level of maintenance to the building over the life the Phase II Project, which will attract occupants to the Phase II Project, insure the likelihood of stabilized rents to tenants and the success of the Phase II Project; and

3. the relative stability and predictability of the service charges will have a positive impact on the surrounding area; and

WHEREAS, on _____, 2013, the Entity entered into that certain Redevelopment Agreement [Redevelopment Agreement] with Jersey City Redevelopment Agency [JCRA] in accordance with the Local Redevelopment and Housing Law, as amended and supplemented, N.J.S.A. 40A:12A-1 et seq. [Redevelopment Law]; and

WHEREAS, pursuant to N.J.S.A. 40A:12A-66, a municipality that has designated a redevelopment area may provide for tax abatement (exemption) within that redevelopment area and for payments in lieu of taxes in accordance with the provisions of the Long Term Tax Exemption Law; provided, however, that the provisions of section 12 of the Long Term Tax Exemption Law (N.J.S.A. 40A:20-12) establishing a minimum or maximum annual service charge and requiring staged increases in annual service charges over the term of the exemption period, and of section 13 of the Long Term Tax Exemption Law (N.J.S.A. 40A:20-13) permitting the relinquishment of status under that law, shall not apply to redevelopment projects financed with bonds; and

WHEREAS, pursuant to the Redevelopment Law and Redevelopment Area Bond Financing Law, as amended and supplemented, N.J.S.A. 40A:12A-64 et seq. [RAB Law], the Project is a redevelopment project in a redevelopment area, within the meaning of such law, and JCRA has agreed in the Redevelopment Agreement to issue bonds to finance the Project [Redevelopment Bonds], which will be paid from and secured by an assignment by the City of the Pledged Annual Service Charges.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, and for other good and valuable consideration, it is mutually covenanted and agreed as follows:

ARTICLE I – GENERAL PROVISIONS

Section 1.1 Governing Law

This Agreement shall be governed by the provisions of the Long Term Tax Exemption Law, the Redevelopment Law, the RAB Law, Executive Order of the Mayor 02-003, Disclosure of Lobbyist Status, Ordinance 02-075, and Ordinance _____, which authorized the execution of this Agreement. It being expressly understood and agreed that the City expressly relies upon the facts, data, and representations contained in the Application, as amended by a letter dated October 25, 2013, attached hereto as Exhibit 3, in granting this tax exemption. It is expressly understood and agreed that the Entity expressly relies upon this tax exemption, and the JCRA's issuance of Redevelopment Bonds, in undertaking the Phase II Project.

Section 1.2 General Definitions

Unless specifically provided otherwise or the context otherwise requires, when used in this Agreement, the following terms shall have the following meanings:

i. Allowable Net Profit. The amount arrived at by applying the Allowable Profit Rate to Total Project Cost pursuant to N.J.S.A. 40A:20-3(c).

ii. Allowable Profit Rate. The greater of 12% or the percentage per annum arrived at by adding 1.25% to the annual interest percentage rate payable on the Entity's initial permanent mortgage financing. If the initial permanent mortgage is insured or guaranteed by a governmental agency, the mortgage insurance premium or similar charge, if payable on a per annum basis, shall be considered as interest for this purpose. If there is no permanent mortgage financing, or if the financing is internal or undertaken by a related party, the Allowable Profit Rate shall be the greater of 12% or the percentage per annum arrived at by adding 1.25% per annum to the interest rate per annum which the municipality determines to be the prevailing rate on mortgage financing on comparable improvements in Hudson County, New Jersey [County]. The provisions of N.J.S.A. 40A:20-3(b) are incorporated herein by reference.

iii. Annual Gross Revenue. Any and all revenue derived from or generated by the Phase II Project of whatever kind or amount, whether received as rent from any tenants or income or fees from third parties, including but not limited to fees or income paid or received for parking, or as user fees or for any other services. No deductions will be allowed for operating or maintenance costs, including, but not limited to gas, electric, water and sewer, other utilities, garbage removal and insurance charges, whether paid for by the landlord, tenant or a third party, except for customary operating expenses of commercial tenants such as utilities, insurance and taxes (including payments in lieu of taxes), which shall be deducted from Gross Revenue based on the actual amount of such costs incurred.

iv. Annual Service Charge. The amount the Entity has agreed to pay the City each year for municipal services supplied to the Phase II Project, which sum is in lieu of any taxes on the Improvements pursuant to N.J.S.A. 40A:20-12. The Annual Service Charge shall consist of the Base Annual Service Charge, the County Annual Service Charge and the Pledged Annual Service Charge, as more fully set forth herein and on Schedule 1. The Annual Service Charge shall also include excess net profits payable pursuant to N.J.S.A. 40A:20-15, if any.

v. Auditor's Report. A complete annual financial statement outlining the financial status of the Phase II Project, which shall also include a certification of Total Project Cost and clear computation of the annual Net Profit. The contents of the Auditor's Report shall have been prepared in conformity with generally accepted accounting principles and shall contain at a minimum the following: a balance sheet, a statement of income, a statement of retained earnings or changes in stockholders' equity, a statement of cash flows, descriptions of accounting policies, notes to financial statements and appropriate schedules and explanatory material results of operations, cash flows and any other items required by Law. The Auditor's Report shall be certified as to its conformance with such principles by a certified public accountant who is licensed to practice that profession in the State of New Jersey.

vi. Base Annual Service Charge. That portion of the Annual Service Charge to be paid by the Entity to the City pursuant to Section 4.1(i) hereof. The Base Annual Service Charge shall not be pledged to pay Redevelopment Bonds.

vii. Certificate of Occupancy. A document, whether temporary or permanent, issued by the City authorizing occupancy of a building, in whole or in part, pursuant to N.J.S.A. 52:27D-133.

viii. County Annual Service Charge. That portion of the Annual Service Charge to be paid by the Entity to the City pursuant to 4.1(ii) hereof. The County Annual Service Charge shall not be pledged to pay Redevelopment Bonds.

ix. Debt Service. The amount required to make annual payments of principal and interest or the equivalent thereof on any construction mortgage, permanent mortgage or other financing including returns on institutional equity financing and market rate related party debt for the Phase II Project for a period equal to the term of this Agreement.

x. Default. Shall be a breach of or the failure of the Entity to perform any obligation imposed upon the Entity by the terms of this Agreement, or under the Law, beyond any applicable grace or cure periods.

xi. Entity. The term Entity within this Agreement shall mean Journal Square II Urban Renewal LLC, which Entity is formed and qualified pursuant to N.J.S.A. 40A:20-5. It shall also include any subsequent purchasers or successors in interest of the Phase II Project, provided they are formed and operate under the Law.

xii. Improvements or Phase II Project. Any building, structure or fixture permanently affixed to the land and to be constructed and tax exempted under this Agreement.

xiii. In Rem Tax Foreclosure or Tax Foreclosure. A summary proceeding by which the City may enforce a lien for taxes due and owing by tax sale, under N.J.S.A. 54:5-1 to 54:5-129 et seq.

xiv. Land Taxes. The amount of taxes assessed on the value of land, on which the Phase II Project is located, which for the current fiscal year are approximately \$70,939.98. Land is not exempt; however, Land Taxes shall be applied as a credit against the Base Annual Service Charge in accordance with the Long Term Tax Exemption Law, and Land Taxes (pro rated for Master Condo 2) shall be applied as a credit against the Nonrefundable Up Front Payment, if any, to the extent provided in Section 4.1(v) hereof.

xv. Land Tax Payments. Payments made on the quarterly due dates, including approved grace periods if any, for Land Taxes (pro rated for Master Condo Unit 2) as determined by the Tax Assessor and the Tax Collector.

xvi. Law. Law shall refer to the Long Term Tax Exemption Law; the Redevelopment Law; the RAB Law; Executive Order of the Mayor 02-003, relating to long term tax exemption, as it may be supplemented; Ordinance 02-075 requiring Disclosure of Lobbyist Status and Ordinance _____, which authorized the execution of this Agreement and all other relevant Federal, State or City statutes, ordinances, resolutions, rules and regulations.

xvii. Lease Up Period. Shall begin on the first day of the month following the issuance of the first Certificate of Occupancy (whether permanent or temporary) for the Phase II Project [Lease Up Date]. During the Lease Up Period, the Entity shall pay the sum equal to the estimated Annual Service Charge (other than the Pledged Annual Service Charge) divided by the number of units in the Phase II Project divided by 12 for each month at the rate of 35 units per month for the first month and an additional 35 units each month thereafter through the 20th month after Lease Up Date, whether or not the units are actually occupied or generate revenue. The Lease Up Period for the Phase II Project expires 20 calendar months after the Lease Up Date.

xviii. Minimum Annual Service Charge. The Minimum Annual Service Charge shall be: (a) prior to Substantial Completion, the amount of the total taxes levied against the Property, as allocated to the Phase II Project, in the last full tax year in which the area was subject to taxation, which the parties agree is \$154,692.68 for Master Condo Unit 2 (based upon 700 units in the Phase II Project divided by 1,840 total expected units); (b) during the Lease Up Period, the monthly charges set forth in Section 1.1(xvii) hereof, and (c) after expiration of the Lease Up Period, \$550,900.

xix. Net Profit. The Annual Gross Revenues of the Entity less all annual operating and non-operating expenses of the Entity, all determined in accordance with generally accepted accounting principles, but:

(1) there shall be included in expenses: (a) all annual service charges paid pursuant to this Agreement; (b) all annual payments to the City of excess profits pursuant to N.J.S.A. 40A:20-15 or N.J.S.A. 40A:20-16; (c) an annual amount sufficient to amortize (utilizing the straight line method-equal annual amounts) the Total Project Cost and all capital costs determined in accordance with generally accepted accounting principles, of any other entity whose revenue is included in the computation of excess profits over the term of this agreement; (d) all reasonable annual operating expenses of the Entity and any other entity whose revenue is included in the computation of excess profits including the cost of all management fees, brokerage commissions, insurance premiums, all taxes or service charges paid, legal, accounting, or other professional service fees, utilities, building maintenance costs, building and office supplies and payments into repair or maintenance reserve accounts; (e) all payments of rent including but not limited to ground rent by the Entity; (f) all Debt Service; and

(2) there shall not be included in expenses either depreciation or obsolescence, interest on debt, except interest which is part of Debt Service, income taxes or salaries, bonuses or other compensation paid, directly or indirectly to directors, officers and stockholders of the entity, or officers, partners or other persons holding a proprietary ownership interest in the entity.

xx. Pronouns. He or it shall mean the masculine, feminine or neuter gender, the singular, as well as the plural, as context requires.

xxi. Pledged Annual Service Charge. That portion of the Annual Service Charge to be paid by the Entity pursuant to Section 4.1(iii) hereof. The Pledged Annual Service Charge shall be pledged to pay Redevelopment Bonds.

xxii. Substantial Completion. The determination by the City that the Phase II Project, in whole or in part, is ready for the use intended, which ordinarily shall mean the first date on which the Phase II Project receives, or is eligible to receive (as determined by the Construction Code official), any Certificate of Occupancy whether temporary or permanent for any portion of the Phase II Project, whether or not occupied or leased.

xxiii. Termination. Any act or omission which by operation of the terms of this Financial Agreement shall cause the Entity to relinquish its tax exemption.

xxiv. Total Project Costs. The total cost of constructing the Phase II Project through the date a Certificate(s) of Occupancy is issued for the entire Phase II Project, which categories of cost are set forth in N.J.S.A. 40A:20-3(h). There shall be included in Total Project Cost the actual costs incurred by the Entity and certified by an independent and qualified architect or engineer, which are associated with site remediation and cleanup of environmentally hazardous materials or contaminants in accordance with State or Federal law and any extraordinary costs incurred including the cost of demolishing structures, relocation or removal of public utilities, cost of relocating displaced residents or buildings and the clearing of title, if applicable.

xxv. Trust Indenture. That certain Indenture of Trust, Bond Agreement, or other similar form of agreement, if any, as it may be amended and supplemented, to be entered into by and between the JCRA and the trustee with respect to the Redevelopment Bonds. As used herein, the term "trustee" shall mean the bond trustee or other person acting in a similar capacity.

ARTICLE II - APPROVAL

Section 2.1 Approval of Tax Exemption

The City hereby grants its approval for a tax exemption for the Phase II Project, Master Condo Unit 2, constituting the Improvements to be constructed and maintained in accordance with the terms and conditions of this Agreement and the provisions of the Law which Improvements shall be constructed on the Property.

Section 2.2 Approval of Entity

Approval is granted to the Entity whose Certificate of Formation is attached hereto as Exhibit 4. Entity represents that its Certificate contains all the requisite provisions of the Law; has been reviewed and approved by the Commissioner of the Department of Community Affairs; and has been filed with, as appropriate, the Office of the State Treasurer or Office of the Hudson County Clerk, all in accordance with N.J.S.A. 40A:20-5.

Section 2.3 Improvements to be Constructed

Entity represents that it will construct the Phase II Project; all of which is specifically described in the Application attached hereto as Exhibit 3.

Section 2.4 Construction Schedule

The Entity agrees to diligently undertake to commence construction and complete the Phase II Project in accordance with the Estimated Construction Schedule, attached hereto as Exhibit 5.

Section 2.5 Ownership, Management and Control

The Entity represents that promptly following the recordation of the Master Deed it will be the owner of Master Condo Unit 2. Upon construction, the Entity represents that the Improvements will be used, managed and controlled for the purposes set forth in this Agreement.

Section 2.6 Financial Plan

The Entity represents that the Improvements shall be financed in accordance with the Financial Plan attached hereto as Exhibit 6. The Plan sets forth a good faith estimate of Total Project Cost, the amortization rate on the Total Project Cost, the source of funds, the interest rates to be paid on construction financing, the source and amount of paid-in capital, and the terms of any mortgage amortization.

Section 2.7 Good Faith Estimate of Initial Rents

The Entity represents that its good faith projections of the initial rents and lease terms for the Phase II Project are set forth in Exhibit 7. The Entity agrees that the Master Deed shall not be amended in any manner that will reduce the economic benefits to the City, including but not limited to a reduction in any net service charges to the City.

ARTICLE III - DURATION OF AGREEMENT

Section 3.1 Term

So long as there is compliance with the Law and this Agreement, it is understood and agreed by the parties hereto that this Agreement shall remain in effect for the earlier of 35 years from the date of execution of this Agreement or 30 years from the date of Substantial Completion of the Phase II Project. The tax exemption shall only be effective during the period of usefulness of the Phase II Project and shall continue in force only while the Phase II Project is owned by an entity formed and operating under the Law.

ARTICLE IV - ANNUAL SERVICE CHARGES

Section 4.1 Annual Service Charges

In consideration of the tax exemption, the Entity shall make the following annual payments for the services provided to the Phase II Project:

i. Base Annual Service Charge: The Entity shall pay to the City the Base Annual Service Charge in the amounts set forth on Schedule 1 attached hereto, as adjusted pursuant to the terms hereof. Year 1 of Schedule 1 shall begin upon Substantial Completion of the Phase II Project.

ii. County Annual Service Charge: The Entity shall pay to the City the County Annual Service Charge, which amount shall be the sum of: (a) five percent (5%) of the sum of the Base Annual Service Charge plus the Pledged Annual Service Charge, each as adjusted pursuant to the terms hereof; and (b) thirteen thousand five hundred and no/100 dollars (\$13,500.00) per year for each of the first ten (10) years after Substantial Completion (which amount is designed to approximate the County Annual Service Charges attributable to the Nonrefundable Up Front Payment. The County Annual Service Charge shall not otherwise be payable by the Entity with respect to any Nonrefundable Up Front Payment).

iii. Pledged Annual Service Charge: For so long as Redevelopment Bonds are outstanding and secured by the Pledged Annual Service Charge, the Entity shall pay to the City the Pledged Annual Service Charge in the amounts set forth in Schedule 1 attached hereto. The Pledged Annual Service Charge for the Phase I Project shall be adjusted upon completion of each of the Phase II Project and Phase III Project to allocate a portion of such service charges to such projects. Such allocation to each phase shall be determined on a pro rata basis by dividing the number of completed residential units in such phase by the number of completed residential units on the Property. The Pledged Annual Service Charge shall be adjusted, at the direction of the Entity, to reflect any redemption, refunding, prepayment or other change in the debt service requirements with respect to the Redevelopment Bonds. The Pledged Annual Service Charge shall terminate at such time as Redevelopment Bonds are no longer outstanding or no longer secured by the Pledged Annual Service Charge.

As security for the Redevelopment Bonds, the City and the Entity agree to and hereby assign all of their interest in each Pledged Annual Service Charge to the trustee under the Trust Indenture to pay, and secure the payment of, Redevelopment Bonds. The City's pledge of the Pledged Annual Service Charge shall be absolute. The Pledged Annual Service Charge shall not be included in the general funds of the City. The City's obligation to pay the Pledged Annual Service Charge to the trustee shall be a limited obligation of the City, payable by it only to the extent of payments of Pledged Annual Service Charges received from the Entity, and shall not constitute a general obligation of the City. The City and the Entity shall each take such further actions as may be reasonably requested to effectuate the issuance of the Redevelopment Bonds and the transactions contemplated thereby.

iv. The Minimum Annual Service Charge set forth in Section 1.2(xviii)(a) shall be due beginning on the effective date of this Agreement. Beginning on the first day of the month after Substantial Completion, subject only to the Lease Up Period, the Minimum Annual Service Charge set forth in Section 1.2(xviii)(b) and (c) shall be due in any year where it exceeds the Annual Service Charge. In the event the Entity fails to timely pay the Minimum Annual

Service Charge or the Annual Service Charge, the unpaid amount shall bear the highest rate of interest permitted in the case of unpaid taxes or tax liens on land until paid.

v. Prepayment of Annual Service Charge. Entity shall have the option, to be exercised within five (5) business days following the date of Substantial Completion, to make a one-time payment to the City of the Nonrefundable Up Front Payment set forth on Schedule 1. Payment of the Nonrefundable Up Front Payment shall accompany the Entity's notice to the City that it has exercised its option to make such payment. In the event that the Entity pays the Nonrefundable Up Front Payment, the Base Annual Service Charges shall be as set forth in the table on Schedule 1. In the event that the Entity does not elect to pay the Nonrefundable Up Front Payment, the Base Annual Service Charges shall be as set forth in Note (3) on Schedule 1. For a period of five (5) years following Substantial Completion, the amount, if any, by which Land Taxes exceed the Base Annual Service Charge in any year shall be applied as a nonrefundable credit against (i.e., paid from) the Nonrefundable Up Front Payment, if any, until such time as the Nonrefundable Up Front Payment are exhausted by such credits.

vi. Credit for Impositions on the Phase III Project. For a period of five (5) years following Substantial Completion of the Phase II Project, the Base Annual Service Charge payable hereunder shall be reduced by the amount of all land taxes and minimum annual service charges on the property comprising the Phase III Project. Such credits shall be applied against the Base Annual Service Charge in the year in which such impositions are payable with respect to such projects.

Section 4.2 No Staged Adjustments

Pursuant to the RAB Law (N.J.S.A. 40A:12A-66), service charges payable hereunder shall not be adjusted in stages over the term of the tax exemption period in accordance with N.J.S.A. 40A:20-12.

Section 4.3 Land Tax

The Entity is required to pay both the Annual Service Charge and the pro rated Land Tax Payments for Master Condo Unit 2. The Entity is obligated to make timely Land Tax Payments in order to be entitled to a Land Tax credit against the Base Annual Service Charge for the subsequent year. The Entity shall be entitled to credit for the amount, without interest, of the Land Tax Payments made in the last four preceding quarterly installments against the Base Annual Service Charge. The Entity shall not be entitled to a refund if the Land Tax credit exceeds the Annual Service Charge in any year and shall forfeit that sum. Land Tax Payments shall not be credited against the Pledged Annual Service Charge. In any quarter that the Entity fails to make any Land Tax Payments when due and owing, such delinquency shall render the Entity ineligible for any Land Tax Payment credit against the Base Annual Service Charge until the Land Taxes are paid in full. No credit will be applied against the Base Annual Service Charge for a partial payment of Land Taxes until they are paid in full. In addition, the City shall have, among this remedy and other remedies, the right to proceed against the property pursuant to the In Rem Tax Foreclosure Act, N.J.S.A. 54:5-1 et seq. and/or declare a Default and terminate this Agreement.

Section 4.4 Quarterly Installments/Interest

The Entity expressly agrees that the Annual Service Charge shall be made in quarterly installments on those dates when real estate tax payments are due; subject, nevertheless, to adjustment for over or underpayment within ninety (90) days after the close of each calendar year. In the event that the Entity fails to pay the Annual Service Charge or any other charge due under this Agreement, the unpaid amount shall bear the highest rate of interest permitted in the case of unpaid taxes or tax liens on the land until paid in full.

Section 4.5 Administrative Fee

The Entity shall also pay an annual Administrative Fee to the City in addition to the Annual Service Charge and Land Tax levy. The Administrative Fee shall be calculated as one-half of one percent (0.5%) of each prior year's Annual Service Charge plus, for the year paid only, the Nonrefundable Up Front Payment. This fee shall be payable and due on or before December 31st of each year, and collected in the same manner as the Annual Service Charge.

Section 4.6 Affordable Housing Contribution

The Entity will pay the City the sum of \$1,077,000 (calculated as \$1,500 per residential unit for 700 units (\$1,050,000), plus \$1.50 per square foot for 18,000 square feet of commercial space (\$27,000)) as a contribution for affordable housing. The sum shall be due and payable as follows: one third of the contribution (\$359,000) upon the issuance of the first construction permit for the Phase II Project by the City of Jersey City with no other time limitation, one third of the contribution (\$359,000) upon the first anniversary of the issuance of the first construction permit for the Phase II Project by the City of Jersey City with no other time limitation, and one third of the contribution (\$359,000) upon issuance of the first certificate of occupancy for the Phase II Project with no other time limitation.

Section 4.7 Material Conditions

It is expressly agreed and understood that the timely payments of Land Taxes, Minimum Annual Service Charge and Annual Service Charges, including adjustments thereto, Administrative Fees, Affordable Housing Contributions, and any interest thereon, are Material Conditions of this Agreement.

ARTICLE V - PROJECT EMPLOYMENT AND CONTRACTING AGREEMENT

Section 5.1 Project Employment and Contracting Agreement

In order to provide City residents and businesses with certain employment and other economic related opportunities, the Entity is subject to the terms and conditions of the Project Employment and Contracting Agreement, attached hereto as Exhibit 8.

Section 5.2 Project Labor Agreement

The Entity shall execute a Project Labor Agreement as required by Ordinance 07-123 as it exists or as it may be amended from time to time. A copy of the fully executed Project Labor Agreement shall be provided to the City and attached hereto as Exhibit 11.

ARTICLE VI - CERTIFICATE OF OCCUPANCY

Section 6.1 Certificate of Occupancy

It is understood and agreed that it shall be the obligation of the Entity to obtain all Certificates of Occupancy in a timely manner so as to complete construction substantially in accordance with the proposed construction schedule attached hereto as Exhibit 5.

Section 6.2 Filing of Certificate of Occupancy

It shall be the primary responsibility of the Entity to forthwith file with both the Tax Assessor and the Tax Collector a copy of each Certificate of Occupancy.

Failure of the Entity to file such issued Certificate of Occupancy as required by the preceding paragraph, shall not militate against any action or non-action, taken by the City, including, if appropriate retroactive billing with interest for any charges determined to be due, in the absence of such filing by the Entity.

ARTICLE VII - ANNUAL REPORTS

Section 7.1 Accounting System

The Entity agrees to maintain a system of accounting and internal controls established and administered in accordance with generally accepted accounting principles.

Section 7.2 Periodic Reports

A. Auditor's Report: Within ninety (90) days after the close of each fiscal or calendar year, depending on the Entity's accounting basis that the Agreement shall continue in effect, the Entity shall submit to the Mayor and Municipal Council and the NJ Division of Local Government Services in the Department of Community Affairs, its Auditor's Report for the preceding fiscal or calendar year. The Auditor's Report shall include, but not be limited to gross revenue, and the terms and interest rate on any mortgage(s) associated with the purchase or construction of the Phase II Project and such details as may relate to the financial affairs of the Entity and to its operation and performance hereunder, pursuant to the Law and this Agreement. The Report shall clearly identify and calculate the Net Profit for the Entity during the previous year, plus excess net profit, if any, in accordance with Article VII hereof. Excess Net Profit shall be paid to the City for each year an excess net profit is generated.

B. Total Project Cost Audit: Within ninety (90) days after Substantial Completion of the Phase II Project, the Entity shall submit to the Mayor, Municipal Council, the Tax Collector and

the City Clerk, who shall advise those municipal officials required to be advised, an audit of Total Project Cost, limited to an audit of actual construction costs as certified by the Phase II Project architect.

C. Disclosure Statement: On the anniversary date of the execution of this Agreement, and each and every year thereafter while this agreement is in effect, the Entity shall submit to the Municipal Council, the Tax Collector and the City Clerk, who shall advise those municipal officials required to be advised, a Disclosure Statement listing the persons having an ownership interest in the Phase II Project, and the extent of the ownership interest of each and such additional information as the City may request from time to time. Unless the owner is a publicly traded corporation, all disclosures shall include the ownership interests down to the individual persons owning any corporate interest in the Entity.

Section 7.3 Inspection/Audit

The Entity shall permit the inspection of its property, equipment, buildings and other facilities of the Phase II Project and, if deemed appropriate or necessary, any other related entity by representatives duly authorized by the City or the NJ Division of Local Government Services in the Department of Community Affairs. It shall also permit, upon request, an annual examination and audit of its books, contracts, records, documents and papers. Such examination or audit shall be made during the reasonable hours of the business day, in the presence of an officer or agent designated by the Entity for any year during which the tax exemption financial agreement was in full force and effect.

Section 7.4 Payment of City's Audit Costs

All costs incurred by the City to conduct a review of the Entity's audits, including reasonable attorneys' fees if appropriate, shall be billed to the Entity and paid to the City as part of the Entity's Annual Service Charge. Delinquent payments shall accrue interest at the same rate as for a delinquent service charge.

ARTICLE VIII- LIMITATION OF PROFITS AND RESERVES

Section 8.1 Limitation of Profits and Reserves

During the period of tax exemption as provided herein, the Entity shall be subject to a limitation of its profits pursuant to the provisions of N.J.S.A. 40A:20-15, to be calculated annually.

The Entity shall have the right to establish a reserve against vacancies, unpaid rentals, and reasonable contingencies in an amount equal to five percent (5%) of the Annual Gross Revenue of the Entity for the last full fiscal year and may retain such part of the Excess Net Profits as is necessary to eliminate a deficiency in that reserve, as provided in N.J.S.A. 40A:20-15. The reserve is to be non-cumulative, it being intended that no further credits thereto shall be permitted after the reserve shall have attained the allowable level of five percent (5%) of the preceding year's Annual Gross Revenue.

Section 8.2 Annual Payment of Excess Net Profit

In the event the Net Profits of the Entity, in any year, exceeds the Allowable Net Profits for such year, then the Entity, within one hundred and twenty (120) days after the end of the year, shall pay such excess Net Profits to the City as an additional annual service charge; provided, however, that the Entity may maintain a reserve as determined pursuant to aforementioned paragraph 8.1. The calculation of the Entity's Excess Net Profits shall include those project costs directly attributable to site remediation and cleanup expenses and any other costs excluded in the definition of Total Project Cost in Section 1.2(xxiv) of this Agreement even though those costs may have been deducted from the project costs for purposes of calculating the Annual Service Charge.

Section 8.3 Payment of Reserve/Excess Net Profit Upon Termination, Expiration or Sale

The date of termination or expiration of this Agreement or the sale of the Phase II Project shall be considered to be the close of the fiscal year of the Entity. Within ninety (90) days after such date, the Entity shall pay to the City the amount of the reserve, if any, maintained by it pursuant to this section and the balance of the Excess Net Profit, if any.

ARTICLE IX - ASSIGNMENT AND/OR ASSUMPTION

Section 9.1 Approval of Sale

Any sale or transfer of the Phase II Project shall be void unless approved in advance by Ordinance of the Municipal Council. It is understood and agreed that the City, on written application by the Entity, will not unreasonably withhold its consent to a sale of the Phase II Project and the transfer of this Agreement provided 1) the new entity does not own any other project subject to long term tax exemption at the time of transfer; 2) the new entity is formed and eligible to operate under the Law; 3) the Entity is not then in default of this Agreement or the Law; 4) the Entity's obligations under this Agreement are fully assumed by the new entity; 5) the Entity pays in full the maximum transfer fee, 2% of the Annual Service Charge, as permitted by N.J.S.A. 40A:20-10(d).

Nothing herein shall prohibit any transfer of the ownership interest in the Entity itself provided that the transfer, if greater than 10%, is disclosed to the City in the annual disclosure statement or in correspondence sent to the City in advance of the filing of the annual disclosure statement.

Section 9.2 Transfer Application Fee

Where the consent or approval of the City is sought for approval of a change in ownership or sale or transfer of the Phase II Project, the Entity shall be required to pay to the City a new tax exemption application fee for the legal and administrative services of the City, as it relates to the review, preparation and/or submission of documents to the Municipal Council for appropriate action on the requested assignment. The fee shall be non-refundable.

ARTICLE X - COMPLIANCE

Section 10.1 Operation

During the term of this Agreement, the Phase II Project shall be maintained and operated in accordance with the provisions of the Law. Operation of the Phase II Project under this Agreement shall not only be terminable as provided by N.J.S.A. 40A:20-1 et seq., as amended and supplemented, but also by a Default under this Agreement. The Entity's failure to comply with the Law shall constitute a Default under this Agreement and the City shall, among its other remedies, have the right to terminate the tax exemption.

Section 10.2 Disclosure of Lobbyist Representative

During the term of this Agreement, the Entity must comply with Executive Order 2002-005, and Ordinance 02-075, requiring Written Disclosure of Lobbyist Representative Status. The Entity's failure to comply with the Executive Order or the Ordinance shall constitute a Default under this Agreement and the City shall, among its other remedies, have the right to terminate the tax exemption.

ARTICLE XI - DEFAULT

Section 11.1 Default

Default shall be failure of the Entity to conform with the terms of this Agreement or failure of the Entity to perform any obligation imposed by the Law, beyond any applicable notice, cure or grace period.

Section 11.2 Cure Upon Default

Should the Entity be in Default, the City shall send written notice to the Entity of the Default [Default Notice]. The Default Notice shall set forth with particularity the basis of the alleged Default. The Entity shall have sixty (60) days, from receipt of the Default Notice, to cure any Default which shall be the sole and exclusive remedy available to the Entity. However, if, in the reasonable opinion of the City, the Default cannot be cured within sixty (60) days using reasonable diligence, the City will extend the time to cure.

Subsequent to such sixty (60) days, or any approved extension, the City shall have the right to terminate this Agreement in accordance with Section 12.1.

Section 11.3 Remedies Upon Default

The City shall, among its other remedies, have the right to proceed against the property pursuant to the In Rem Tax Foreclosure Act, N.J.S.A. 54:5-1 et seq. In order to secure the full and timely payment of the Annual Service Charge, the City on its own behalf, or on behalf of the JCRA and/or the Trustee, reserves the right to prosecute an In Rem Tax Foreclosure action

against the land and improvements in accordance with Applicable Law, as more fully set forth in this Financial Agreement.

In addition, the City may declare a Default and terminate this Agreement. Any default arising out of the Entity's failure to pay Land Taxes, Minimum Annual Service Charge, Administrative Fees, Affordable Housing Contribution or the Annual Service Charges, shall not be subject to the default procedural remedies as provided in Article XI herein, but shall allow the City to proceed immediately to terminate the Agreement as provided in Article XII. All of the remedies provided in this Agreement to the City, and all rights and remedies granted to it by law and equity shall be cumulative and concurrent. No termination of any provision of this Agreement shall deprive the City of any of its remedies or actions against the Entity because of its failure to pay Land Taxes, Minimum Annual Service Charge, Annual Service Charge, Affordable Housing Contribution or Administrative Fees. This right shall apply to arrearages that are due and owing at the time or which, under the terms hereof, would in the future become due as if there had been no termination. Further, the bringing of any action for Land Taxes, Minimum Annual Service Charge, the Annual Service Charge, Affordable Housing Contribution, Administrative Fees, or for breach of covenant or the resort to any other remedy herein provided for the recovery of Land Taxes shall not be construed as a waiver of the rights to terminate the tax exemption or proceed with a tax sale or Tax Foreclosure action or any other specified remedy.

In the event of a Default on the part of the Entity to pay any charges set forth in Article IV, the City among its other remedies, reserves the right to proceed against the Entity's land and property, in the manner provided by the In Rem Tax Foreclosure Act, and any act supplementary or amendatory thereof. Whenever the word taxes appear, or is applied, directly or impliedly to mean taxes or municipal liens on land, such statutory provisions shall be read, as far as is pertinent to this Agreement, as if the charges were taxes or municipal liens on land.

ARTICLE XII- TERMINATION

Section 12.1 Termination Upon Default of the Entity

In the event the Entity fails to cure or remedy the Default within the time period provided in Section 11.2, the City may terminate this Agreement upon thirty (30) days written notice to the Entity [Notice of Termination].

Section 12.2 Voluntary Termination by the Entity

Except for so long as Redevelopment Bonds are outstanding and secured by the Pledged Annual Service Charge (during which period the Entity shall not relinquish its status as a tax exempt project), the Entity may notify the City that it will relinquish its status as a tax exempt project, after the expiration of one year from the Substantial Completion of the Phase II Project, as of the January 1 of the year next ensuing. The Notice of Voluntary Termination must be received by the City no later than October 1st of the tax year preceding the calendar year in which the termination is to occur. As of the date so set, the tax exemption, the Annual Service Charges and the profit and dividend restrictions shall terminate. However, under no circumstances will

the Entity be entitled to any refund, in whole or in part, of any funds paid to the City to obtain the tax exemption, including but not limited to the Affordable Housing Contribution.

Section 12.3 Final Accounting

Within ninety (90) days after the date of termination, whether by affirmative action of the Entity or by virtue of the provisions of the Law or pursuant to the terms of this Agreement, the Entity shall provide a final accounting and pay to the City the reserve, if any, pursuant to the provisions of N.J.S.A. 40A:20-13 and 15 as well as any remaining excess Net Profits. For purposes of rendering a final accounting the termination of the Agreement shall be deemed to be the end of the fiscal year for the Entity.

Section 12.4 Conventional Taxes

Upon Termination or expiration of this Agreement, the tax exemption for the Phase II Project shall expire and the land and the Improvements thereon shall thereafter be assessed and conventionally taxed according to the general law applicable to other nonexempt taxable property in the City.

ARTICLE XIII - DISPUTE RESOLUTION

Section 13.1 Arbitration

In the event of a breach of the within Agreement by either of the parties hereto or a dispute arising between the parties in reference to the terms and provisions as set forth herein, either party may apply to the Superior Court of New Jersey by an appropriate proceeding, to settle and resolve the dispute in such fashion as will tend to accomplish the purposes of the Law. In the event the Superior Court shall not entertain jurisdiction, then the parties shall submit the dispute to the American Arbitration Association in New Jersey to be determined in accordance with its rules and regulations in such a fashion to accomplish the purpose of the Long Term Tax Exemption Law. The Entity shall pay the City's cost for the arbitration if the City is the prevailing party. The parties agree that the Entity may not file an action in Superior Court or with the Arbitration Association unless the Entity has first paid in full all charges defined in Section 4.7 as Material Conditions.

Section 13.2 Appeal of Assessment

In calculating the amount of taxes otherwise due for any purpose, the Entity may file an appeal of the conventional assessment with the Hudson County Tax Board or the Superior Court of New Jersey, Tax Court to determine the value of land and Improvements.

ARTICLE XIV - WAIVER

Section 14.1 Waiver

Nothing contained in this Financial Agreement or otherwise shall constitute a waiver or relinquishment by the City of any rights and remedies, including, without limitation, the right to terminate the Agreement and tax exemption for violation of any of the conditions provided herein. Nothing herein shall be deemed to limit the City's right to audit or recover any amount which the City has under law, in equity, or under any provision of this Agreement.

ARTICLE XV – INDEMNIFICATION

Section 15.1 Defined

It is understood and agreed that in the event the City shall be named as party defendant in any action by a third party alleging any breach, default or a violation of any of the provisions of this Agreement and/or the provisions of N.J.S.A. 40A:20-1 et seq., the Entity shall indemnify and hold the City harmless against any and all liability, loss, cost, expense (including reasonable attorneys' fees and costs, through trial and all stages of any appeal, including the cost of enforcing this indemnity) arising out of this Agreement. In addition, the Entity expressly waives all statutory or common law defenses or legal principles which would defeat the purposes of this indemnification. The Entity also agrees to defend the suit at its own expense. However, the City maintains the right to intervene as a party thereto, to which intervention the Entity consents; the expense thereof to be borne by the City.

ARTICLE XVI- NOTICE

Section 16.1 Certified Mail

Any notice required hereunder to be sent by either party to the other shall be sent by certified or registered mail, return receipt requested.

Section 16.2 Sent by City

When sent by the City to the Entity the notice shall be addressed to:

Journal Square II Urban Renewal LLC
520 US Highway 22, P.O. Box 6872
Bridgewater, NJ 08807
Attn: David B. Kahan, Esq.

And

DeCotiis, FitzPatrick & Cole, LLP
Glenpointe Centre West
500 Frank W. Burr Blvd., Suite 31
Teaneck, NJ 07666
Attn: Jeffrey G. Kramer, Esq.

unless prior to giving of notice the Entity shall have notified the City in writing otherwise.

In addition, provided the City is sent a formal written notice in accordance with this Agreement, of the name and address of Entity's Mortgagee, the City agrees to provide such Mortgagee with a copy of any notice required to be sent to the Entity.

Section 16.3 Sent by Entity

When sent by the Entity to the City, it shall be addressed to:

City of Jersey City, Office of the City Clerk
City Hall
280 Grove Street
Jersey City, New Jersey 07302

with copies sent to the Corporation Counsel, the Business Administrator, and the Tax Collector unless prior to the giving of notice, the City shall have notified the Entity otherwise. The notice to the City shall identify the Phase II Project to which it relates (i.e., the Urban Renewal Entity and the Property's Block and Lot number).

ARTICLE XVII-SEVERABILITY

Section 17.1 Severability

If any term, covenant or condition of this Agreement or the Application, except a Material Condition, shall be judicially declared to be invalid or unenforceable, the remainder of this Agreement or the application of such term, covenant or condition to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term, covenant or condition of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

If a Material Condition shall be judicially declared to be invalid or unenforceable and provided the Entity is not in Default of this Agreement, the parties shall cooperate with each other to take the actions reasonably required to restore the Agreement in a manner contemplated by the parties and the Law. This shall include, but not be limited to the authorization and re-execution of this Agreement in a form reasonably drafted to effectuate the original intent of the parties and the Law. However, the City shall not be required to restore the Agreement if it would modify a Material Condition, the amount of the periodic adjustments or any other term of this Agreement which would result in any economic reduction or loss to the City.

ARTICLE XVIII - MISCELLANEOUS

Section 18.1 Construction

This Agreement shall be construed and enforced in accordance with the laws of the State of New Jersey, and without regard to or aid of any presumption or other rule requiring

construction against the party drawing or causing this Agreement to be drawn since counsel for both the Entity and the City have combined in their review and approval of same.

Section 18.2 Conflicts

The parties agree that in the event of a conflict between the Application and the language contained in the Agreement, the Agreement shall govern and prevail. In the event of conflict between the Agreement and the Law, the Law shall govern and prevail.

Section 18.3 Oral Representations

There have been no oral representations made by either of the parties hereto which are not contained in this Agreement. This Agreement, the Ordinance authorizing the Agreement, and the Application constitute the entire Agreement between the parties and there shall be no modifications thereto other than by a written instrument approved and executed by both parties and delivered to each party.

Section 18.4 Entire Document

This Agreement and all conditions in the Ordinance of the Municipal Council approving this Agreement are incorporated in this Agreement and made a part hereof.

Section 18.5 Good Faith

In their dealings with each other, utmost good faith is required from the Entity and the City.

ARTICLE XIX – SCHEDULES AND EXHIBITS

Section 19.1 Schedules

The following Schedules are attached hereto and incorporated herein as if set forth at length herein:

1. Base Annual Service Charge and Pledged Annual Service Charge.

Section 19.2 Exhibits

The following Exhibits are attached hereto and incorporated herein as if set forth at length herein:

1. Metes and Bounds description of the Project;
2. Ordinance of the City authorizing the execution of this Agreement;
3. The Application with Exhibits;
4. Certificate of the Entity;
5. Estimated Construction Schedule;

6. The Financial Plan for the undertaking of the Phase II Project;
7. Good Faith Estimate of Initial Rental Schedule and Lease Terms;
8. Project Employment and Contracting Agreements and Project Labor Agreement;
9. Architect's Certification of Actual Construction Costs;
10. Entity's Deed to be provided upon recordation
11. Executed Project Labor Agreement.

IN WITNESS WHEREOF, the parties have caused these presents to be executed the day and year first above written.

WITNESS:

JOURNAL SQUARE II URBAN RENEWAL LLC

By: Journal Square Associates LLC, its sole Member

By: Journal Square Corp., its Manager

By: Murray Kushner, President

ATTEST:

CITY OF JERSEY CITY

Robert Byrne, RMC, City Clerk

Robert J. Kakoleski, CMFO, Acting Business
Administrator

SCHEDULE 1

BASE ANNUAL SERVICE CHARGES

Base Annual Service Charges:

<u>Years</u>	<u>Description</u>	<u>Per Unit⁽¹⁾ Base Annual Service Charge</u>	<u>Total Base Annual Service Charge</u> (assumes 700 Units)
1	Nonrefundable Up Front Payment ⁽²⁾	\$4,061.80	\$2,843,261.00
1 – 10 (Stage 1)	Base Annual Service Charge	\$787.00	\$550,900.00
11 – 15 (Stage 2)	Base Annual Service Charge	\$1,000.00	\$700,000.00
16 - to Beginning of Stage 4 (Stage 3)	Base Annual Service Charge	\$2,300.00	\$1,610,000.00
Last 5 Years of Term (Stage 4) ⁽³⁾	Base Annual Service Charge		10% of Annual Gross Revenue

(1) –“Unit” refers to residential units in the Phase II Project.

(2) – Payment of the Nonrefundable Up Front Payment, which would occur within five (5) days following Substantial Completion of the Phase II Project, is at the option of the Entity. The above schedule assumes the Entity elects to pay the Nonrefundable Up Front Payment. If the Entity does not elect to pay the Nonrefundable Up Front Payment, the Base Annual Service Charges shall be as follows:

- (i) Years 1 - 5, the Base Annual Service Charge shall be \$1,248.00 per Unit (\$873,600.00 in total assuming 700 Units);
- (ii) Years 6 - 10, the Base Annual Service Charge shall be \$1,286.00 per Unit (\$900,200.00 in total assuming 700 Units);
- (iii) Years 11 - 15, the Base Annual Service Charge shall be \$1,342.00 per Unit (\$939,400.00 in total assuming 700 Units); and
- (iv) Years 16 to End – as set forth above

(3) – The Base Annual Service Charge for the last five (5) years of the term of the tax exemption, assuming no early termination (“Stage 4”), shall be an amount equal to 10% of Annual Gross Revenue.

PLEDGED ANNUAL SERVICE CHARGE

<u>Year</u>	<u>Pledged Annual Service Charge</u>
1 - End	The Pledged Annual Service Charge shall be an allocated amount of the Pledged Annual Service Charge provided in the Phase I Financial Agreement.

Notes:

1. The Pledged Annual Service Charge shall be paid in equal quarterly installments on those dates when real estate tax payments are due.
2. The Pledged Annual Service Charge (together with the Pledged Annual Service Charges under the Phase I Financial Agreement and Phase III Financial Agreement, if any) shall be set in amounts necessary to repay Redevelopment Bonds, including annual costs with respect thereto. The Pledged Annual Service Charge shall be adjusted upon completion of each of the Phase II Project and Phase III Project to allocate a portion of such service charge to such projects. The Pledged Annual Service Charge shall also be adjusted, at the direction of the Entity, to reflect any redemption, refunding, prepayment or other change in the debt service requirements with respect to the Redevelopment Bonds.

DATE: October 25, 2013

TO: For distribution to City Council and City Clerk

FROM: Al Cameron Tax Collector's Office

SUBJECT: TAX ABATEMENT: Journal Square I Urban Renewal, L.L.C., Phase II
Block 9501, Lots 4-8 & 10-16.

CC: J. Thieroff, M. Cosgrove, J. Monahan, D. Jeffrey

INTRODUCTION:

The applicant, Journal Square II Urban Renewal, L.L.C., is applying for a thirty (30) Year tax abatement under N.J.S.A. 40 A: 20-1 et seq. The applicant is also requesting Redevelopment Area Bond financing

LOCATION OF THE PROPERTY:

The property is located at 595-621 Pavonia Avenue, 535-539 Summit Avenue and 136 Magnolia Avenue. It consists of Block 9501 Lots 4-8 & 10-16. It is approximately 2.23 acres.

PROPERTY TO BE CONSTRUCTED:

Phase II will be a seventy (70) story mixed use residential project consisting of seven hundred (700) residential units and eighteen thousand (18,000) sq. Ft. of commercial space. There will be a seven (7) story parking garage with one five hundred twenty-two (522) parking spaces.

ESTIMATED TOTAL PROJECT COST:

The estimated total project cost is \$249,512,439. The cost of construction is estimated to be \$192,055,370.

CONSTRUCTION SCHEDULE:

Construction is scheduled to begin in September 2020 and completed in approximately three (3) years.

ESTIMATED JOBS CREATED:

The applicant estimates that there will be nine hundred twenty (920) jobs created during Construction and sixty-six (66) permanent jobs after construction.

AFFORDABLE HOUSING TRUST FUND CONTRIBUTIONS:

The applicant proposes an AHTF contribution of \$1,077,000 for the residential units and Commercial space. However; there may be an additional fee due for the parking Garage depending upon its availability for public use.

CURRENT REAL ESTATE TAXES:

The Tax Assessor determined the total assessed value for the twelve (12) lots proposed for the entire project is \$4,415,500. Using the current tax rate of \$74.66 per thousand, the total annual taxes for the land is \$329,661.23. The applicant has not identified the specific lots that are in the Phase II development. However; based upon the number of units in each phase the allocated land tax for phase I would be \$96,751.89. Using the same formula Phase II would be \$125,413.87, Phase III would be \$107,495.47 and the total for all three phases would be \$329,661.23.

PROPOSED ABATEMENT:

The applicant has requested a term of thirty (30) years for the abatement. The Applicant has submitted a schedule of payments to be known as the Base Annual Service Charge. The Base Annual Service Charge is determined upon a fixed per unit service charge beginning at \$787.00 per residential unit in years one (1) through ten (10). It increases to \$1,000.00 for years eleven (11) through fifteen (15) and increases to \$2,300.00 per unit in year sixteen (16). The Minimum Service Charge for phase II is \$132,593.73 which includes the land tax of \$125,413.87. Service charges for commercial, miscellaneous or parking revenue are included in the Base Service Charge. The Applicant will make a nonrefundable upfront payment of \$2,843,261 within five (5) business days of substantial completion as defined in the Financial Agreement. The final five (5) years under either plan would be at ten percent (10%) of gross revenue. No adjustment has been made for vacancies in these calculations.

PROPOSED REVELOPMENT AREA BOND (RAB):

The applicant anticipates the need for substantial infrastructure improvements. To help meet this need the applicant has requested that the Jersey City Redevelopment Agency issue \$ 10 Million in redevelopment bonds for this purpose. The Developer will pay a Pledged Annual Service Charge to be used solely for the payment of the RAB. The Pledged Annual Service Charge will be adjusted and redistributed among additional phases as they are completed. The Pledged Annual Service Charge shall terminate when the RAB is fully paid or when the Bonds a no longer secured by the Pledged Annual Service Charge. A portion of the Pledged Annual Service Charge paid by Phase I will be allocated to

Phase II. The total Annual Service charge paid each year will remain at \$515,000. Both Phase I and Phase II will pay a portion.

PROPOSED REVENUE TO THE CITY:

The Base Annual Service Charge in year one (1) is \$787 per residential unit. The Minimum proposed minimum payment is \$132,593.73 which includes land tax of \$125,413.87. Based upon the lease up rate of Thirty (30) units per month the minimum payment would be \$154,465.00. In year two based upon the lease up schedule the payment would be approximately \$449,901.67. The lease up period expires in month twenty (20). The project is treated at full occupancy for service charge calculations at that time. At full occupancy in year three (3) the Basic Annual Service Charge would be \$550,900. The Pledged Annual Service Charge is to be set aside to pay the Redevelopment Area Bonds (RAB), the Phase II allocation is yet to be determined.

The Pledged annual service charge is payable each year for as long as the bonds are outstanding. Since the Pledged Annual Service Charge shall terminate when the RAB is fully paid or when the Bonds are no longer secured by the Pledged Annual Service Charge, it should not be considered revenue to the City.

FISCAL IMPACT COST ANALYSIS: See attached.

CONCLUSION:

Journal Square is an area that has been in decline in recent years. The need to restore Journal Square to its former stature cannot be understated, both for the residents of that area and the economics of the City as a whole. The project proposed by KRE represents the first substantial project to be built in Journal Square in more than 30 years. The first phase of this project is 54 stories and will not only improve Journal Square, but also once again reshape the city's entire skyline. Overall this \$660 million construction project will create hundreds of jobs and will pay \$2.8 million into the city's affordable housing trust fund.

The underlying benefits of having a project of this significance commence weighs heavily in favor of this application being approved, notwithstanding the fiscal impact cost analysis (attached).

October 24, 2013

Via email and First Class Mail

Diana Jeffrey, Esq.
City of Jersey City, Law Dept.
City Hall
280 Grove Street
Jersey City, New Jersey 07302

**Re: Application for Tax Exemption
Journal Square II Urban Renewal LLC
Project: Phase 2 of Journal Squared, 595-621 Pavonia Avenue, 535-539
Summit Avenue and 136 Magnolia Avenue**

Dear Ms. Jeffrey:

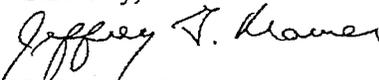
Please accept this letter as our formal supplement to the above referenced Application for Tax Exemption, dated September 26, 2013. The Application is supplemented by each of the following:

1. Fiscal Plan, provided to you on October 1, 2013 (copy enclosed);
2. Revised Total Project Cost certification, provided to you on October 16, 2013 (copy enclosed); and
3. Conveyance Agreements, provided to you on October 24, 2013 (copy enclosed).

We also provided to you revised drafts of our proposed form of Financial Agreement on each of October 9, 2013, October 18, 2013 and October 24, 2013. Because that agreement is technically the City's document, we have not enclosed copies of those drafts.

Please feel free to contact me with any questions. Thank you in advance for your time and consideration in this matter.

Sincerely,


Jeffrey G. Kramer

Encl.

cc: Journal Square II Urban Renewal LLC (w/ encl.)
Joanne Monahan, Esq. (w/ encl. via email)
Chris Walrath, Esq. (w/ encl. via email)



Journal Squared
Operating Projections
FIRST STABILIZED YEAR

			Phase II	
Estimated Total Project Cost ¹			\$249,512,439	
(per N.J.S.A. 40a:20-3(h))				
INCOME		<u>Size</u>	<u># Units</u>	<u>Rent/Mo. ²</u>
	0 BR	496 sf	175	2,029
	1 BR	701 sf	385	2,492
	1 BR+	825 sf	56	2,608
	2 BR	1,056 sf	70	2,956
	3 BR	1,162 sf	14	3,304
Total Units/Avg Size			700	
Average Unit Size				704 sf
Average Rents				\$2,448
	Per Month			\$41.71
	Per SF/Year			
Total Income From Rent				\$20,566,449
Other Income (Parking, Retail, Other)				\$1,863,000
Vacancy 3%				(\$672,883)
Gross Operating Income				\$21,756,566

EXPENSES

Total Operating Expenses (before RE Taxes) ²		\$5,363,608
RE Taxes - PILOT Payment - First Year Op ³	\$787 /u	\$550,900
Admin Charge		\$11,018
Gross Operating Expenses		\$5,925,526

Net Operating Income **\$15,831,040**

Debt Service

Loan Amount ⁴	180,926,166
Interest Rate	5.0%
Term	30
Constant	6.44%
Debt Service Payment	\$11,655,009

Net Income \$4,176,030

(1) Assumes Phase I Hard Costs at \$250 psf and annual growth for Phases II & III

(2) Assumes 3% annual growth over 5 years

(3) Prior to optional prepayment of annual PILOT, as per Financial Agreements

(4) Loan Proceeds are calculated based upon Lenders' DSCR, LTV, and Debt Yield requirements.

EXHIBIT C
JOURNAL SQUARE II URBAN RENEWAL LLC

Total Project Cost

Estimated Total Project Cost Calculation per N.J.S.A 40A:20-3(h):

Item	Phase II
A. Cost of land and improvements to Urban Renewal Entity	\$12,023,300
B. Architects, Engineers, surveying and Attorney Fees (paid or payable) in connection with the planning, construction and financing of the Project	\$11,241,000
C. Projected construction cost per architect's estimate Bids include site preparation	\$192,055,370.
D. Insurance, Interest, and Finance costs during Construction	\$19,844,000
E. Cost of Obtaining Initial Permanent Financing	\$1,879,000
F. Marketing and other expenses payable in connection with the initial lease of units	\$2,661,000
G. Real Estate Taxes and Assessments during Construction Period	\$206,000
H. Developer's Overhead based on a percentage of (c) above, to be computed in accordance with percentage given in law N.J.S.A. 40A:20-3 (h)	\$9,602,769
Total Project Cost	\$249,512,439

EXHIBIT C-1

JOURNAL SQUARE II URBAN RENEWAL LLC

Certification of Estimated Construction Costs

See attached.

October 16, 2013

KRE Group

Re: Journal Square II Urban Renewal LLC – Phase II Project (the “Project”)
Certification of Estimated Construction Costs

Dear Sirs:

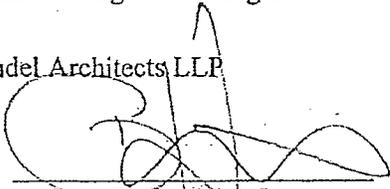
The undersigned (the “Architect”) being the architect for the Project to be developed by Journal Square II Urban Renewal LLC (the “Owner”) does hereby certify, in Architect’s professional opinion, based upon: (i) Architect’s knowledge, information, and belief obtained through Architect’s performance of its professional services on the Project in accordance with the professional standards of skill and care ordinarily exercised by other architects providing similar services in the same locale under similar circumstances and conditions and (ii) representations, information; and services provided by others on the Project, that, as of this date, the estimated construction cost of \$192,055,370 provided to the Architect for Phase II of the Project (as such Project is shown on the current plans and specifications prepared by the design team) appears reasonable.

This is an estimate only and Architect has no control over the cost of labor, materials, or equipment, or over competitive bidding, market, or negotiating conditions. Accordingly, Architect does not warrant the accuracy of the cost estimate.

Finally, this certification is being provided solely for the benefit of Owner and nothing contained in this certificate shall (i) create a contractual relationship with or a cause of action in favor of a third party against Architect or (ii) increase Architect’s duties or obligations or decrease Architect’s rights with regard to the Project or otherwise.

Handel Architects LLP

By:


Gary E. Handel, AIA

REAL PROPERTY CONVEYANCE AGREEMENT

THIS REAL PROPERTY CONVEYANCE AGREEMENT ("Agreement") is made as of the 25th day of September, 2013 by and between **JOURNAL SQUARE ASSOCIATES, LLC**, a New Jersey limited liability company having its principal office at c/o KRE Group, 520 US Highway 22, P.O. Box 6872, Bridgewater, New Jersey 08807 ("JSA"), and **JOURNAL SQUARE II URBAN RENEWAL LLC**, an urban renewal entity formed and qualified to do business under the provisions of the Long Term Tax Exemption Law of 1992, as amended and supplemented, N.J.S.A. 40A:20-1 et seq. (the "Long Term Tax Exemption Law"), having its principal office at c/o KRE Group, 520 US Highway 22, P.O. Box 6872, Bridgewater, New Jersey 08807 (the "JS II LLC").

WITNESSETH:

WHEREAS, JSA owns certain real property designated as Block 9501, Lots 4 through 8, inclusive, and 10 through 16, inclusive, as shown on the official current tax map of the City of Jersey City, New Jersey ("City"), more commonly known by the street addresses of 595-621 Pavonia Avenue, 535-539 Summit Avenue and 136 Magnolia Avenue, and more particularly described by the metes and bounds description set forth as Exhibit 1 to this Agreement (the "Property"); and

WHEREAS, JSA is the sole member of each of JS II LLC, Journal Square I Urban Renewal LLC ("JS I LLC"), and Journal Square III Urban Renewal LLC ("JS III LLC"); and

WHEREAS, JSA will record a Master Deed (the "Master Deed") to submit all of the Property to the condominium form of ownership and incorporate the same as part of a condominium regime under the New Jersey Condominium Act, N.J.S.A. 46:8B-1 et seq., to be known as "Journal Squared Condominium", consisting of three (3) master condominium units to be developed in three (3) phases; and

WHEREAS, JS I LLC will be the owner of master condominium unit 1 located on the Property, JS II LLC will be the owner of master condominium unit 2 located on the Property ("Master Condo Unit 2"), and JS III LLC will be the owner of master condominium unit 3 located on the Property; and

WHEREAS, JS I LLC plans to construct phase 1, which will consist of a 54-story building having approximately 540 market-rate residential rental units, approximately 4,000 square feet of leasing space and potential future commercial space, a parking garage containing approximately 153 parking spaces, and an interim surface parking lot having approximately 74 parking spaces, together with a pedestrian mall and public improvements and infrastructure related thereto (collectively, the "Phase I Project"), and JS I LLC will enter into a Financial Agreement with the City with respect to the Phase I Project ("Phase I Financial Agreement"); and

WHEREAS, JS II LLC plans to construct phase 2, which is expected to consist of a 70-story building having approximately 700 market-rate residential rental units, approximately 18,000 square feet of commercial space, and a parking garage containing approximately 522 parking spaces, together with public improvements and infrastructure related thereto ("Phase II Project"), and JS II LLC will enter into a Financial Agreement with the City with respect to the Phase II Project ("Phase II Financial Agreement"); and

WHEREAS, JS III LLC plans to construct phase 3, which is expected to consist of a 60-story building having approximately 600 market-rate residential rental units, approximately 14,000 square feet of commercial space, and a parking garage containing approximately 245 parking spaces, together with public improvements and infrastructure related thereto [Phase III Project], and JS III LLC will enter into a Financial Agreement with the City with respect to the Phase III Project ("Phase III Financial Agreement"); and

NOW, THEREFORE, in consideration of \$10, the mutual covenants herein contained, and for other good and valuable consideration, it is mutually covenanted and agreed as follows:

Section 1. Formation of JS II LLC. On January 2, 2013, JSA caused to be formed JS II LLC in accordance with the New Jersey Limited Liability Company Act. JSA represents and warrants that it is the sole member of JS II LLC, and is the sole owner of the Property.

Section 2. Conveyance to JS II LLC. Promptly following the recordation of the Master Deed, JSA shall convey to JS II LLC a Bargain and Sale Deed to Master Condo Unit 2 (the "Deed"), together with such customary Affidavits of Title as may be reasonably required and are reasonably acceptable to JS II LLC, and JS II LLC shall accept the Deed.

Section 3. Representations and Warranties. As of the date hereof, each party represents and warrants to the other the following:

3.1 Existence and Capacity. It is duly organized and validly existing in good standing under the laws of the State of New Jersey, and has the requisite power and authority to enter into this Agreement, to perform its obligations hereunder, and to conduct its business as now being conducted.

3.2 Binding Agreement. This Agreement constitutes the valid and legally binding obligations of such party, enforceable against it in accordance with the respective terms hereof.

3.3 Application for Tax Exemption. The parties shall cooperate in the submission and prosecution of an application for a property tax abatement for the Phase II Project. JS II LLC shall be expressly permitted to rely upon the covenants herein in submitting such application and executing the Phase II Financial Agreement in connection therewith, and developing the Phase II Project.

IN WITNESS WHEREOF, the parties have caused these presents to be executed the day and year first above written.

WITNESS:

JOURNAL SQUARE ASSOCIATES LLC

By: Journal Square Corp., its Manager

Linda A. McKay



By: Murray Kushner, President

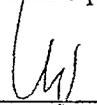
WITNESS:

JOURNAL SQUARE II URBAN RENEWAL LLC

By: Journal Square Associates LLC, its sole Member

By: Journal Square Corp., its Manager

Linda A. McKay



By: Murray Kushner, President

DATE: October 25, 2013
TO: For distribution to City Council and City Clerk
FROM: AI Cameron Tax Collector's Office
SUBJECT: TAX ABATEMENT: Journal Square I Urban Renewal, L.L.C., Phase II
Block 9501, Lots 4-8 & 10-16
CC: J. Thieroff, M. Cosgrove, J. Monahan, D. Jeffrey

INTRODUCTION:

The applicant, Journal Square II Urban Renewal, L.L.C., is applying for a thirty (30) Year tax abatement under N.J.S.A. 40 A: 20-1 et seq. The applicant is also requesting Redevelopment Area Bond financing

LOCATION OF THE PROPERTY:

The property is located at 595-621 Pavonia Avenue, 535-539 Summit Avenue and 136 Magnolia Avenue. It consists of Block 9501 Lots 4-8 & 10-16. It is approximately 2.23 acres.

PROPERTY TO BE CONSTRUCTED:

Phase II will be a seventy (70) story mixed use residential project consisting of seven hundred (700) residential units and eighteen thousand (18,000) sq. Ft. of commercial space. There will be a seven (7) story parking garage with one five hundred twenty-two (522) parking spaces.

ESTIMATED TOTAL PROJECT COST:

The estimated total project cost is \$249,512,439. The cost of construction is estimated to be \$192,055,370.

CONSTRUCTION SCHEDULE:

Construction is scheduled to begin in September 2020 and completed in approximately three (3) years.

ESTIMATED JOBS CREATED:

The applicant estimates that there will be nine hundred twenty (920) jobs created during Construction and sixty-six (66) permanent jobs after construction.

AFFORDABLE HOUSING TRUST FUND CONTRIBUTIONS:

The applicant proposes an AHTF contribution of \$1,077,000 for the residential units and Commercial space. However; there may be an additional fee due for the parking Garage depending upon its availability for public use.

CURRENT REAL ESTATE TAXES:

The Tax Assessor determined the total assessed value for the twelve (12) lots proposed for the entire project is \$4,415,500. Using the current tax rate of \$74.66 per thousand, the total annual taxes for the land is \$329,661.23. The applicant has not identified the specific lots that are in the Phase II development. However; based upon the number of units in each phase the allocated land tax for phase I would be \$96,751.89. Using the same formula Phase II would be \$125,413.87, Phase III would be \$107,495.47 and the total for all three phases would be \$329,661.23.

PROPOSED ABATEMENT:

The applicant has requested a term of thirty (30) years for the abatement. The Applicant has submitted a schedule of payments to be known as the Base Annual Service Charge. The Base Annual Service Charge is determined upon a fixed per unit service charge beginning at \$787.00 per residential unit in years one (1) through ten (10). It increases to \$1,000.00 for years eleven (11) through fifteen (15) and increases to \$2,300.00 per unit in year sixteen (16). The Minimum Service Charge for phase II is \$132,593.73 which includes the land tax of \$125,413.87. Service charges for commercial, miscellaneous or parking revenue are included in the Base Service Charge. The Applicant will make a nonrefundable upfront payment of \$2,843,261 within five (5) business days of substantial completion as defined in the Financial Agreement. The final five (5) years under either plan would be at ten percent (10%) of gross revenue. No adjustment has been made for vacancies in these calculations.

PROPOSED REVELOPMENT AREA BOND (RAB):

The applicant anticipates the need for substantial infrastructure improvements. To help meet this need the applicant has requested that the Jersey City Redevelopment Agency issue \$ 10 Million in redevelopment bonds for this purpose. The Developer will pay a Pledged Annual Service Charge to be used solely for the payment of the RAB. The Pledged Annual Service Charge will be adjusted and redistributed among additional phases as they are completed. The Pledged Annual Service Charge shall terminate when the RAB is fully paid or when the Bonds a no longer secured by the Pledged Annual Service Charge. A portion of the Pledged Annual Service Charge paid by Phase I will be allocated to

Phase II. The total Annual Service charge paid each year will remain at \$515,000. Both Phase I and Phase II will pay a portion.

PROPOSED REVENUE TO THE CITY:

The Base Annual Service Charge in year one (1) is \$787 per residential unit. The Minimum proposed minimum payment is \$132,593.73 which includes land tax of \$125,413.87. Based upon the lease up rate of Thirty (30) units per month the minimum payment would be \$154,465.00. In year two based upon the lease up schedule the payment would be approximately \$449,901.67. The lease up period expires in month twenty (20). The project is treated at full occupancy for service charge calculations at that time. At full occupancy in year three (3) the Basic Annual Service Charge would be \$550,900. The Pledged Annual Service Charge is to be set aside to pay the Redevelopment Area Bonds (RAB), the Phase II allocation is yet to be determined.

The Pledged annual service charge is payable each year for as long as the bonds are outstanding. Since the Pledged Annual Service Charge shall terminate when the RAB is fully paid or when the Bonds are no longer secured by the Pledged Annual Service Charge, it should not be considered revenue to the City.

FISCAL IMPACT COST ANALYSIS: See attached.

CONCLUSION:

Journal Square is an area that has been in decline in recent years. The need to restore Journal Square to its former stature cannot be understated, both for the residents of that area and the economics of the City as a whole. The project proposed by KRE represents the first substantial project to be built in Journal Square in more than 30 years. The first phase of this project is 54 stories and will not only improve Journal Square, but also once again reshape the city's entire skyline. Overall this \$660 million construction project will create hundreds of jobs and will pay \$2.8 million into the city's affordable housing trust fund.

The underlying benefits of having a project of this significance commence weighs heavily in favor of this application being approved, notwithstanding the fiscal impact cost analysis (attached).

FISCAL IMPACT COST PROJECTION (MARKET RATE CONDOMINIUMS)
 Entity: JOURNAL SQUARE II URBAN RENEWAL
 Block: 9501 Lot: 4-8, 10-16

Condo Units with Retail & Parking Planned Development	Number of Units	Demographic Multipliers: Household	Students	Residents	Annual Expenditures		Total Annual Expenditures		Total Annual Expenditures Municipal & School District
					Per Capita Municipal	Per School District	Municipal	School District	
Studio	175	1,000	0,000	175.00	\$1,153.91	\$3,005.00	\$201,934.25	\$0.00	\$201,934.25
1 - Bedroom	441	1,421	0,000	626.66	\$1,153.91	\$3,005.00	\$723,110.39	\$0.00	\$723,110.39
2 - Bedroom	70	2,012	0,032	140.84	\$1,153.91	\$3,005.00	\$162,516.68	\$6,731.20	\$169,247.88
3 - Bedroom	14	2,798	0,038	39.17	\$1,153.91	\$3,005.00	\$45,200.96	\$1,598.66	\$46,799.62
TOTAL	700						\$1,087,561.33	\$8,329.86	\$1,141,092.15

1. Total Municipal Ratables Commercial Ratables	\$5,795,484,581 \$1,374,956,492	4. Fiscal Year 2013 Budget	\$500,097,007	6. Population of Jersey City (2010 Census)	247,597	9. Increase in Services Incurred Per Development	\$1,141,092.15
2. Residential Ratables	\$3,310,951,465	5. Residential Portion	\$285,704,654	7. Per Capita Municipal Cost Municipal Portion	\$1,153.91	10. Anticipated Gross PILOT Add'l Pledged Serv Ch 0.5% Admin less land tax Phase II	\$873,600.00 \$515,000.00 \$6,943.00 -\$125,413.87
3. Residential Ratables as a Percentage of Total Ratables	57.13%			8. Annual Expenditures Per Student Municipal Portion	\$3,005.00	11. Net PILOT & J.C.'s Portion of Land Tax	\$1,270,129.13
				12. Implied Surplus			\$129,036.98

Classic Average costing approach for projecting the impact of population change and local Municipal and School District costs.

City Clerk File No. Ord. 13.124

Agenda No. 3-C 1st Reading

Agenda No. _____ 2nd Reading & Final Passage

THIS ORDINANCE SECURES BONDS OR OTHER OBLIGATIONS ISSUED IN ACCORDANCE WITH THE PROVISIONS OF THE "REDEVELOPMENT AREA BOND FINANCING LAW" AND THE LIEN HEREOF IN FAVOR OF THE OWNERS OF SUCH BONDS OR OTHER OBLIGATIONS IS A MUNICIPAL LIEN SUPERIOR TO ALL OTHER NON-MUNICIPAL LIENS HEREINAFTER RECORDED

ORDINANCE OF JERSEY CITY, N.J.



COUNCIL AS A WHOLE
offered and moved adoption of the following ordinance:

CITY ORDINANCE 13.124

TITLE: ORDINANCE APPROVING THE EXECUTION OF A FINANCIAL AGREEMENT WITH JOURNAL SQUARE III URBAN RENEWAL LLC AND OTHER APPLICABLE DOCUMENTS RELATED TO THE AUTHORIZATION AND ISSUANCE BY THE JERSEY CITY REDEVELOPMENT AGENCY OF NOT TO EXCEED \$10,000,000 REDEVELOPMENT AREA BONDS (NON-RECOURSE TO THE FULL FAITH AND CREDIT OF THE CITY) AND DETERMINING VARIOUS OTHER MATTERS IN CONNECTION THEREWITH

THE MUNICIPAL COUNCIL OF THE CITY OF JERSEY CITY DOES ORDAIN:

WHEREAS, on September 11, 2013, the Municipal Council of the City of Jersey City, in the County of Hudson, New Jersey (the "City"), adopted Ordinance No. 092, which designated various properties, including, but not limited to, Block 9501, Lots 4 (621 Pavonia Avenue), 5 (619 Pavonia Avenue), 6 (617 Pavonia Avenue), 7 (615 Pavonia Avenue), 8 (605 Pavonia Avenue), 10 (601 Pavonia Avenue), 11 (597 Pavonia Avenue), 12 (595 Pavonia Avenue), 13 (539 Summit Avenue), 14 (537 Summit Avenue), 15 (535 Summit Avenue), and 16 (136 Magnolia Avenue) as shown on the official current tax map of the City, as an area in need of redevelopment (the "Redevelopment Area" and also referred to as the "Project Premises") for purposes of the Local Redevelopment and Housing Law, constituting Chapter 79 of the Pamphlet Laws of 1992 of the State of New Jersey (the "State"), and the acts amendatory thereof and supplemental thereto (the "Redevelopment Law", as codified by N.J.S.A. 40A:12A-1 et seq.); and

WHEREAS, on July 14, 2010, the Municipal Council of the City adopted Ordinance No. 10-103, approving a redevelopment plan for the Redevelopment Area, entitled "Journal Square 2060 Redevelopment Plan" as the same may be amended and supplemented from time to time (the "Redevelopment Plan"); and

WHEREAS, the Redevelopment Area is governed by the Redevelopment Plan; and

WHEREAS, Journal Square Associates LLC ("JSA" or the "Redeveloper") is the fee title owner of the Project Premises; and

WHEREAS, the Redeveloper has made application to the Jersey City Redevelopment Agency (the "Agency") to be designated as the redeveloper to redevelop the Project Premises; and

WHEREAS, the Agency has reviewed the proposal of the Redeveloper and related submissions and has determined that it is in the Agency's best interests to select the Redeveloper as the designated redeveloper for the Project Premises for purposes of negotiating an agreement for the redevelopment of the designated area; and

WHEREAS, the Redeveloper will record a Master Deed (as the same may be amended and supplemented, the "Master Deed") to submit all of the Project Premises to the condominium form of ownership and incorporate the same as part of a condominium regime under the New Jersey Condominium Act, N.J.S.A. 46:8B-1 et seq., to be known as "Journal Squared Condominium"; and

WHEREAS, Journal Square I Urban Renewal LLC (“JS I”), wholly-owned by JSA, is or will be the owner of master condominium unit 1 located on the Project Premises, upon which JS I plans to construct phase 1 of the redevelopment plan, which is expected to consist of a 54-story building having approximately 540 market-rate residential rental units , approximately 4,000 square feet of leasing space and potential future commercial space , a parking garage containing approximately 153 parking spaces, together with a pedestrian mall and public improvements and infrastructure related thereto, and will utilize an interim surface parking lot having approximately 74 parking spaces located on the adjoining Phase II property (collectively, the “Phase I Project”); and

WHEREAS, Journal Square II Urban Renewal LLC (“JS II”), wholly-owned by JSA, is or will be the owner of master condominium unit 2 located on the Project Premises, upon which JS II plans to construct phase II of the redevelopment plan, which is expected to consist of a 70-story building having approximately 700 market-rate residential rental units , approximately 18,000 square feet of leasing space and potential future commercial space , and a parking garage containing approximately 522 parking spaces (collectively, the “Phase II Project”); and

WHEREAS, Journal Square III Urban Renewal LLC (“JS III”), wholly-owned by JSA, is or will be the owner of master condominium unit 3 located on the Project Premises, upon which the Entity plans to construct phase III of the redevelopment plan, which is expected to consist of a 60-story building having approximately 600 market-rate residential rental units , approximately 14,000 square feet of leasing space and potential future commercial space , and a parking garage containing approximately 245 parking spaces (collectively, the “Phase III Project” and, together with the Phase I Project and Phase II Project, the “Project”); and

WHEREAS, the Redevelopment Area requires certain on-site and off-site public improvements and infrastructure, including a pedestrian mall, certain of which will be undertaken by the Redeveloper in connection with the Phase I Project, but which benefit the entire Project, including, if and when completed, the Phase II Project and Phase III Project;

WHEREAS, pursuant to N.J.S.A. 40A:12A-66, a municipality that has designated a redevelopment area may provide for tax exemption within that redevelopment area and for payments in lieu of taxes in accordance with the provisions of the Long Term Tax Exemption Law of 1992, constituting Chapter 431 of the Pamphlet Laws of 1991 of the State of New Jersey, and the Acts amendatory thereof and supplemental thereto (the “Tax Exemption Law”, as codified in N.J.S.A. 40A:12A-1 et seq.); provided, however, that the provisions of section 12 of the Tax Exemption Law (N.J.S.A. 40A:20-12) establishing a minimum or maximum annual service charge and requiring staged increases in annual service charges over the term of the exemption period, and of section 13 of the Tax Exemption Law (N.J.S.A. 40A:20-13) permitting the relinquishment of status under that law, shall not apply to redevelopment projects financed with bonds; and

WHEREAS, pursuant to the Tax Exemption Law, the City is authorized to provide for tax exemption within a redevelopment area and for payments in lieu of taxes in accordance with the applicable provisions thereof; and

WHEREAS, JS III, the contract purchaser of condominium unit 3, under the agreement dated September 25, 2013, has submitted an application to the City for the approval of a Phase III Project, as such term is used in the Tax Exemption Law, all in accordance with N.J.S.A. 40A:20-8 (the “Exemption Application”, a copy of which is attached hereto as Exhibit A); and

WHEREAS, included in the Exemption Application is a request for a tax exemption and payment in lieu of taxes pursuant to the Tax Exemption Law and the Redevelopment Bond Law; and

WHEREAS, the Exemption Application contains documentation evidencing financial responsibility and capability with respect to the proposed development; estimated total development costs; estimated time schedule for start and completion of the proposed development; and conceptual plans; and

WHEREAS, the City evaluated the Exemption Application according to criteria which included financial capabilities, experience, expertise, and project concept descriptions; and

WHEREAS, in order to enhance the economic viability of and opportunity for a successful project, the City will enter into a Financial Agreement with JS III, governing payments made to the City in lieu of real estate taxes on the Phase III Project pursuant to the Tax Exemption Law (the "Financial Agreement"); and

WHEREAS, to finance certain aspects of the Project, the Jersey City Redevelopment Agency (the "Agency") will issue bonds in an aggregate principal amount of up to \$10,000,000 (the "Redevelopment Area Bonds") pursuant to the Redevelopment Bond Law, debt service for the repayment of which Redevelopment Area Bonds will come from the Pledged Annual Service Charge (as that term is defined in the Financial Agreement attached hereto); and

WHEREAS, the City and JS III have each agreed that the Base Annual Service Charge (as that term is defined in the Financial Agreement attached hereto), which is not pledged to the payment of debt service on the Redevelopment Area Bonds, paid by JS III to the City shall be for the City's use in its sole discretion, following payment of the "County Service Charge" (as such term is defined in the Agreements attached hereto) to the County of Hudson, as required by N.J.S.A. 40A:20-12; and

WHEREAS, the City made the following findings:

In accordance with the Tax Exemption Law, specifically N.J.S.A. 40A:20-11, the City hereby finds and determines that the Financial Agreement is to the direct benefit of the health, welfare and financial well-being of the City and its citizens because the Agreement allows for the development of a blighted site into a productive, useful and job-creating property, and further:

- (a) The costs associated to the City with the tax exemption granted herein are minor compared to the estimated Total Project Cost of \$212,793,640 for Phase III and the benefit created by (i) the construction of the Improvements, (ii) the creation of approximately 790 jobs during the construction period and (iii) the creation of approximately 57 permanent jobs through the permanent operation of the Improvements.
- (b) Without the tax exemption granted herein it is highly unlikely that the Phase III Project would otherwise be undertaken, as a source of funding all or a portion of the costs thereof, other than from the proceeds of the Redevelopment Area Bonds, would not otherwise be available; and

WHEREAS, in order to set forth the terms and conditions under which JS III and the City (the "Parties") shall carry out their respective obligations with respect to (a) payment of the Annual Service Charge (as that term is defined in the Financial Agreement attached hereto) by JS III in lieu of real property taxes, and (b) issuance of the Redevelopment Area Bonds by the Agency and provision for repayment thereof by JS III (subject to adjustment as provided in the Financial Agreement), the Parties have determined to execute the Financial Agreement; and

WHEREAS, JS III is qualified to do business under the provisions of the Tax Exemption Law, and has submitted to the Mayor the Exemption Application, which is on file with the Office of the City Clerk, requesting a tax exemption for the Phase III Project; and

WHEREAS, the Mayor has submitted the Exemption Application and Financial Agreement to the Municipal Council with his written recommendation of approval (the "Mayor's Recommendation"), a copy of which is attached hereto as Exhibit B; and

WHEREAS, the Financial Agreement contemplates that the Annual Service Charge will be paid in three (3) categories: the Base Annual Service Charge, to be retained (in addition to payment of the County Service Charge), and the County Annual Service Charge paid by JS III to the City for remittance by the City to Hudson County by the City for Municipal Services as set forth in the Tax Exemption Law; and the Pledged Annual Service Charge, said payments (subject to adjustment as provided in the Financial Agreement) to be dedicated to debt service on the Redevelopment Area Bonds issued to support certain costs of the Project, pursuant to Redevelopment Bond Law (in addition to payment of the County Service Charge), and the County Annual Service Charge paid by JS III to the City for remittance by the City to Hudson County; and

WHEREAS, pursuant to the Redevelopment Bond Law, the City, in the exercise of its power under the Redevelopment Bond Law, may enter into contracts as necessary, for the purpose of securing the Redevelopment Area Bonds to finance the Project; and

WHEREAS, the Redevelopment Bond Law requires the approval of the New Jersey Local Finance Board prior to the issuance of financial instruments such as the Redevelopment Area Bonds where such financial instruments are to be secured by payments in lieu of taxes such as the Pledged Annual Service Charges (subject to adjustment as provided in the Financial Agreement); and

WHEREAS, the City believes that (a) it is in the public interest for JS III to undertake the Phase III Project; (b) the Phase III Project is for the health, welfare, convenience or betterment of the inhabitants of the City; (c) the amounts to be expended by the City for said Phase III Project are not unreasonable or exorbitant; and (d) the Phase III Project is an efficient and feasible means of providing services for the needs of the inhabitants of the City and will not create an undue financial burden to be placed upon the City; and

WHEREAS, the City further wishes to approve the execution and delivery of a Pledge and Assignment Agreement with the Agency and/or its bond trustee (the "Pledge Agreement"), which Pledge Agreement will provide for, inter alia, the pledge and assignment of the Pledged Annual Service Charge to the Agency or its bond trustee as security for the payment of debt service on the Redevelopment Area Bonds; and

WHEREAS, the terms of any trust indenture to be entered into by the Agency in connection with the issuance of the Redevelopment Area Bonds will provide terms and provisions relating to the disbursement of proceeds of the Redevelopment Area Bonds.

NOW, THEREFORE, BE IT ORDAINED BY THE MUNICIPAL COUNCIL OF THE CITY OF JERSEY CITY, IN THE COUNTY OF HUDSON, NEW JERSEY, AS FOLLOWS:

1. JSA has been designated by the Jersey City Redevelopment Agency designated to act as redeveloper for the Phase III Project, in accordance with the Redevelopment Plan and the plans and specifications contained in the Application, subject to the conditions and as more fully set forth in the form of Financial Agreement attached hereto. To the extent of any inconsistency with the definition of the "Phase III Project" as contained in the Redevelopment Agreement, the definition of the Phase III Project as contained herein and in the Financial Agreement shall control.
2. The Exemption Application, a copy of which is attached hereto as Exhibit A, is hereby approved in accordance with the Mayor's Recommendation, a copy of which is attached hereto as Exhibit B.
3. The Municipal Council hereby finds and determines that the Financial Agreement is to the direct benefit of the health, welfare and financial well-being of the City and its citizens because it allows for the development of a blighted site into a productive, useful and job-creating property, and further (a) the costs associated to the City with the tax exemption granted herein are minor compared to the estimated Total Project Cost of \$212,793,640 for Phase III and the benefit created by (i) the construction of the Improvements, (ii) the creation of approximately 790 jobs during the construction period and (iii) the creation of approximately 57 permanent jobs through the permanent operation of the Improvements, and (b) without the tax exemption granted herein it is highly unlikely that the Project would otherwise be undertaken, as a source of funding all or a portion of the costs thereof, other than from the proceeds of the Redevelopment Area Bonds, would not otherwise be available.
4. An exemption from taxation is hereby granted to JS III, with respect to the Phase III Project for the term set forth in the Financial Agreement, but in no event shall the tax exemption commence until the effective date of the Financial Agreement, nor extend beyond the earlier of (i) thirty-five (35) years from the date of the adoption of this ordinance or (ii) thirty (30) years from the Substantial Completion of the Phase III Project and only so long as the Phase

III Project is owned by an entity formed and operating under the Tax Exemption Law. To the extent of any inconsistency with any prior City ordinance and/or Municipal Code provision governing the granting of long-term tax exemptions, including, *inter alia*, procedures for application, review and approval, required terms of the financial agreement, required conditions and covenants, limits on duration, means of enforcement, and all other matters whatsoever, such prior City ordinances and/or Municipal Code provisions are hereby waived (or, alternatively, shall be deemed to be amended and/or superseded by this ordinance) to the extent of such inconsistency, but only with respect to this Ordinance.

5. The Financial Agreement, in substantially the form attached hereto as Exhibit C, is approved. The Mayor or Business Administrator (Authorized Officers) are each hereby authorized to execute, on the City's behalf, the Financial Agreement in substantially such form, with such changes as the Authorized Officers shall determine, in consultation with the Corporation Counsel, such determination to be conclusively evidenced by their execution of the Financial Agreement. The City Clerk is hereby authorized and directed to attest to the execution of the Financial Agreement by the Authorized Officers of the City as determined hereunder and to affix the corporate seal of the City to the Financial Agreement.
6. Pursuant to the provisions of the Redevelopment Bond Law, specifically N.J.S.A. 40A:12A-67(c) and, if applicable, N.J.S.A. 40A:12A-69, the City is hereby authorized to assign, for the benefit of the Agency and/or its bond trustee and as security for the Redevelopment Area Bonds, all of the City's right, title and interest in and to the Pledged Annual Service Charges. The Pledge Agreement, in substantially the form attached hereto as Exhibit D, is approved. The Authorized Officers, or either of them, are each hereby authorized to execute and deliver, on behalf of the City, the Pledge Agreement in substantially such form, with such changes as the Authorized Officers shall determine, in consultation with the Corporation Counsel, such determination to be conclusively evidenced by their execution of the Pledge Agreement. The Authorized Officers, or either of them, are each hereby further authorized to execute and deliver, on behalf of the City, such additional instruments as they may deem, in consultation with the Corporation Counsel, to be necessary or appropriate for the purpose of effectuating such assignment. The City Clerk is hereby authorized and directed to attest to the execution of the Pledge Agreement and any such additional instruments by the Authorized Officer(s) of the City as determined hereunder and to affix the corporate seal of the City thereto.
7. Executed copies of the Financial Agreement and the Pledge Agreement shall be certified by the City Clerk and filed with the Office of the City Clerk. The Office of the City Clerk shall also forthwith file certified copies of this ordinance and the Financial Agreement with the Director of the Division of Local Government Services pursuant to N.J.S.A. 40A:20-12.
8. Upon the execution of the Financial Agreement as contemplated herein, the Authorized Officers and the City Clerk are each hereby severally authorized and directed to file and record this Ordinance and the Financial Agreement with the Hudson County Register such that the Financial Agreement and this Ordinance shall be reflected upon the land records of the County of Hudson as a lien upon and a covenant running with each and every parcel of land constituting the Parcel. Pursuant to and in accordance with the provisions of the Redevelopment Bond Law, specifically N.J.S.A. 40A:12A-68(c), and notwithstanding any other law to the contrary, upon recordation of both this ordinance and the Financial Agreement, the lien thereof shall be perfected for all purposes in accordance with law and the lien shall thereafter be superior to all non-municipal liens thereafter recorded or otherwise arising, without any additional notice, recording, filing, continuation filing or action, until payment of all of the Redevelopment Area Bonds.
9. The Authorized Officers of the City are hereby further severally authorized and directed to (i) execute and deliver, and the City Clerk is hereby further authorized and directed to attest to such execution and to affix the corporate seal of the City to, any document, instrument or certificate deemed necessary, desirable or convenient by the Authorized Officers or the City Clerk, as applicable, in their respective sole discretion, after consulting with the Corporation Counsel, to be executed in connection with the execution and delivery of the Financial Agreement and the Pledge Agreement and the consummation of the transactions contemplated thereby, which determination shall be conclusively evidenced by the execution

of each such certificate or other document by the party authorized hereunder to execute such certificate or other document, and (ii) perform such other actions as the Authorized Officers deem necessary, desirable or convenient in relation to the execution and delivery thereof.

10. The Phase III Project when completed shall conform with all Federal and State law and ordinances and regulations of the City relating to its construction and use.
11. JS III shall in the operation of the Phase III Project comply with all laws so that no person shall, because of race, religious principles, color, national origin or ancestry, be subject to any discrimination.
12. JS III shall, from the time the Annual Service Charge becomes effective, pay the Annual Service Charge as set forth in the Financial Agreement.
13. All City officers and professionals are hereby authorized to take all necessary and appropriate steps to assist and join with JS III (i) in connection with the required application to the New Jersey Local Finance Board for approval of the issuance of the Redevelopment Area Bonds (in an aggregate principal amount up to \$10,000,000.00 for the Project) for the funding of a part of the cost of the Project and (ii) in connection with the required application to the Agency for approval of its issuance of said Redevelopment Area Bonds.
14. JS III shall pay all outstanding taxes and all outstanding water and sewer charges within thirty (30) days of the adoption of this Ordinance.
15. This ordinance shall take effect upon final passage and publication in accordance with the laws of the State of New Jersey.
16. Term: the earlier of 35 years from the adoption of the within Ordinance or 30 years from the date the Phase III Project is Substantially Complete.
17. Annual Service Charge: each year the greater of:
 - (a) the Minimum Annual Service Charge equal to the amount of a portion of the total taxes (land and pre-existing improvements) levied against all real property in the area covered by Phase III Project in the last full tax year in which the Property was subject to taxation, which sum is estimated to be approximately \$132,594;
 - (b) the Base Annual Service Charge, as set forth in the Financial Agreement, which sum is estimated to be approximately \$1,071,600 for the first year; or
 - (c) the Pledged Annual Service Charge.
18. Administrative Fee: 0.5% of the prior year's Annual Service Charge.
19. County Payment: 5% of the Annual Service Charge to be paid by JS III to the City for remittance by the City to Hudson County.
20. Project: A new mixed use market rate residential rental project, Master Condominium Unit 3, which will consist of a 60-story building having approximately 600 market-rate residential rental units, approximately 14,000 square feet of leasing space and potential future commercial space, a parking garage containing approximately 245 parking spaces.
21. Affordable Housing Trust Fund: \$1,500 per unit or \$900,000 and \$1.50 per square foot x 14,000 square feet or \$21,000, for a total of \$921,000.
22. An obligation to execute a Project Labor Agreement and a Project Employment and Contracting Agreement to insure employment and other economic benefits to City residents and businesses.
23. This Ordinance will sunset and the Tax Exemption will terminate unless construction of the Phase III Project begins within *thirteen (13)* years of the adoption of the within Ordinance.

A. The City Clerk shall deliver a certified copy of the Ordinance and Financial Agreement to the Tax Assessor and Director of the Division of Local Government Services.

B. The application is on file with the office of the City Clerk. The Financial Agreement and Project Employment and Contracting Agreement shall be in substantially the form on file in the Office of the City Clerk, subject to such modification as the Business Administrator or Corporation Counsel deems appropriate or necessary.

C. All ordinances and parts of ordinances inconsistent herewith are hereby repealed.

D. This ordinance shall be part of the Jersey City Code as though codified and fully set forth therein. The City Clerk shall have this ordinance codified and incorporated in the official copies of the Jersey City Code.

E. This ordinance shall take effect at the time and in the manner provided by law.

F. The City Clerk and Corporation Counsel be and they are hereby authorized and directed to change any chapter numbers, article numbers and section numbers in the event that the codification of this ordinance reveals that there is a conflict between those numbers and the existing code, in order to avoid confusion and possible accidental repealers of existing provisions.

NOTE: All material is new; therefore underlining has been omitted. For purposes of advertising only, new matter is indicated by **bold face** and repealed matter by *italic*.

DJ/he
10/25/13

APPROVED AS TO LEGAL FORM

APPROVED: _____

Corporation Counsel

APPROVED: _____
Business Administrator

Certification Required

Not Required

Record and Return To:

Rev. 10-24-13

Long Term Tax Exemption

N.J.S.A. 40A:20-1, et seq.

(New Market Rate Res Rental FA)

Re: 595-621 Pavonia Avenue, 535-539 Summit Avenue,
136 Magnolia Avenue
Approximately 2.23 Acres
Block 9501, Lots 4-8 and 10-16,
Master Condo Unit 3
Journal Square 2060 Redevelopment Plan, as amended and
supplemented

PREAMBLE

THIS FINANCIAL AGREEMENT [Agreement] is made the ___ day of _____, 2013 by and between **JOURNAL SQUARE III URBAN RENEWAL LLC**, an urban renewal entity formed and qualified to do business under the provisions of the Long Term Tax Exemption Law of 1992, as amended and supplemented, N.J.S.A. 40A:20-1 et seq. [Long Term Tax Exemption Law], having its principal office at c/o KRE Group, 520 US Highway 22, P.O. Box 6872, Bridgewater, New Jersey 08807 [Entity], and the **CITY OF JERSEY CITY**, a municipal corporation of the State of New Jersey, having its principal office at City Hall, 280 Grove Street, Jersey City, New Jersey 07302 [City].

RECITALS

WITNESSETH:

WHEREAS, Journal Square Associates LLC [JSA] owns certain real property designated as Block 9501, Lots 4 through 8, inclusive, and 10 through 16, inclusive, as shown on the official current tax map of the City of Jersey City, New Jersey, more commonly known by the street addresses of 595-621 Pavonia Avenue, 535-539 Summit Avenue and 136 Magnolia Avenue, and more particularly described by the metes and bounds description set forth as Exhibit 1 to this Agreement [Property], which Property is located within the boundaries of the Journal Square 2060 Redevelopment Plan area, as amended and supplemented; and

WHEREAS, the redevelopment of the Journal Square 2060 Redevelopment Plan area requires certain on-site and off-site public improvements and infrastructure, certain of which will be undertaken by the Entity in connection with the Phase I Project (defined below); and

WHEREAS, JSA or will record a Master Deed [Master Deed] to submit all of the Property to the condominium form of ownership and incorporate the same as part of a condominium regime under the New Jersey Condominium Act, N.J.S.A. 46:8B-1 et seq., to be known as “[Journal Squared Condominium]”; and

WHEREAS, the Master Deed shall create three (3) master condominium units, with proportionate common elements, to be developed in three (3) phases; and

WHEREAS, JSA and the Entity have entered into a Conveyance Agreement, dated as of September 25, 2013, pursuant to which the Entity will be the owner of master condominium unit 3 ([Master Condo Unit 3]) located on the Property; and

WHEREAS, Journal Square I Urban Renewal LLC [JS I LLC] will be the owner of master condominium unit 1 located on the Property, and Journal Square II Urban Renewal LLC [JS II LLC] will be the owner of master condominium unit 2 located on the Property; and

WHEREAS, the Entity plans to construct phase 3, which will consist of a 60-story building having approximately 600 market-rate residential rental units, approximately 14,000 square feet of retail/restaurant/commercial space, and a parking garage containing approximately 245 parking spaces, together with a pedestrian mall and public improvements and infrastructure related thereto [collectively, the Phase III Project]; and

WHEREAS, JS I LLC plans to construct phase 1, which will consist of a 54-story building having approximately 540 market-rate residential rental units, approximately 4,000 square feet of leasing space and potential future commercial space, a parking garage containing approximately 153 parking spaces, and an interim surface parking lot having approximately 74 parking spaces, together with a pedestrian mall and public improvements and infrastructure related thereto [Phase I Project], and JS I LLC is entering into a Financial Agreement with the City with respect to the Phase I Project on the date hereof [Phase I Financial Agreement]; and

WHEREAS, JS II LLC plans to construct phase 2, which is expected to consist of a 70-story building having approximately 700 market-rate residential rental units, approximately 18,000 square feet of commercial space, and a parking garage containing approximately 522 parking spaces, together with public improvements and infrastructure related thereto [Phase II Project], and JS II LLC is entering into a Financial Agreement with the City with respect to the Phase II Project on the date hereof [Phase II Financial Agreement]; and

WHEREAS, on December 5, 2012, the Phase III Project received a site plan approval from the Planning Board; and

WHEREAS, on September 26, 2013, the Entity filed an Application with the City, as amended by a letter dated October 25, 2013 (as amended, the [Application]), for a long term tax exemption for the Phase III Project; and

WHEREAS, by the adoption of Ordinance _____ on _____, 2013, the Municipal Council approved a long term tax exemption for the Phase III Project and authorized the execution of a Financial Agreement; and

WHEREAS, the City made the following findings:

A. Relative Benefits of the Phase III Project when compared to the costs:

1. the current real estate taxes on the Property, as pro rated for Master Condo Unit 3, generate total revenue of approximately \$132,593.73, whereas, the service charges payable hereunder, as estimated, will generate revenue to the City of an initial amount of not less than \$666,600;

2. the Entity has agreed to pay the City the sum of \$921,000, as an affordable housing contribution pursuant to Ordinance 03-112, and the Phase III Project will promote the appropriate development of affordable housing in the area;

3. it is expected that the Phase III Project will create approximately 790 new construction jobs, and 47 new permanent full time jobs;

4. the Phase III Project should stabilize and contribute to the economic growth of existing local business and to the creation of new businesses, which cater to new occupants;

5. the Phase III Project will further the redevelopment objectives of the Journal Square 2060 Redevelopment Plan, which include the promotion of the principals of smart growth and transit village development;

6. the City's Fiscal Impact Cost Analysis, on file with the Office of the City Clerk indicates that the benefits of the Project outweigh the costs to the City; and

B. Assessment of the Importance of the Tax Exemption in obtaining development of the Phase III Project and influencing the locational decisions of probable occupants:

1. the relative stability and predictability of the annual service charges will make the Phase III Project more attractive to investors and lenders needed to finance the Phase III Project; and

2. the relative stability and predictability of the service charges will allow the owner to stabilize its operating budget, allowing a high level of maintenance to the building over the life the Phase III Project, which will attract occupants to the Phase III Project, insure the likelihood of stabilized rents to tenants and the success of the Phase III Project; and

3. the relative stability and predictability of the service charges will have a positive impact on the surrounding area; and

WHEREAS, on _____, 2013, the Entity entered into that certain Redevelopment Agreement [Redevelopment Agreement] with Jersey City Redevelopment Agency [JCRA] in accordance with the Local Redevelopment and Housing Law, as amended and supplemented, N.J.S.A. 40A:12A-1 et seq. [Redevelopment Law]; and

WHEREAS, pursuant to N.J.S.A. 40A:12A-66, a municipality that has designated a redevelopment area may provide for tax abatement (exemption) within that redevelopment area and for payments in lieu of taxes in accordance with the provisions of the Long Term Tax Exemption Law; provided, however, that the provisions of section 12 of the Long Term Tax Exemption Law (N.J.S.A. 40A:20-12) establishing a minimum or maximum annual service charge and requiring staged increases in annual service charges over the term of the exemption period, and of section 13 of the Long Term Tax Exemption Law (N.J.S.A. 40A:20-13) permitting the relinquishment of status under that law, shall not apply to redevelopment projects financed with bonds; and

WHEREAS, pursuant to the Redevelopment Law and Redevelopment Area Bond Financing Law, as amended and supplemented, N.J.S.A. 40A:12A-64 et seq. [RAB Law], the Project is a redevelopment project in a redevelopment area, within the meaning of such law, and JCRA has agreed in the Redevelopment Agreement to issue bonds to finance the Project [Redevelopment Bonds], which will be paid from and secured by an assignment by the City of the Pledged Annual Service Charges.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, and for other good and valuable consideration, it is mutually covenanted and agreed as follows:

ARTICLE I – GENERAL PROVISIONS

Section 1.1 Governing Law

This Agreement shall be governed by the provisions of the Long Term Tax Exemption Law, the Redevelopment Law, the RAB Law, Executive Order of the Mayor 02-003, Disclosure of Lobbyist Status, Ordinance 02-075, and Ordinance _____, which authorized the execution of this Agreement. It being expressly understood and agreed that the City expressly relies upon the facts, data, and representations contained in the Application, as amended by a letter dated October 25, 2013, attached hereto as Exhibit 3, in granting this tax exemption. It is expressly understood and agreed that the Entity expressly relies upon this tax exemption, and the JCRA's issuance of Redevelopment Bonds, in undertaking the Phase III Project.

Section 1.2 General Definitions

Unless specifically provided otherwise or the context otherwise requires, when used in this Agreement, the following terms shall have the following meanings:

i. **Allowable Net Profit.** The amount arrived at by applying the Allowable Profit Rate to Total Project Cost pursuant to N.J.S.A. 40A:20-3(c).

ii. Allowable Profit Rate. The greater of 12% or the percentage per annum arrived at by adding 1.25% to the annual interest percentage rate payable on the Entity's initial permanent mortgage financing. If the initial permanent mortgage is insured or guaranteed by a governmental agency, the mortgage insurance premium or similar charge, if payable on a per annum basis, shall be considered as interest for this purpose. If there is no permanent mortgage financing, or if the financing is internal or undertaken by a related party, the Allowable Profit Rate shall be the greater of 12% or the percentage per annum arrived at by adding 1.25% per annum to the interest rate per annum which the municipality determines to be the prevailing rate on mortgage financing on comparable improvements in Hudson County, New Jersey [County]. The provisions of N.J.S.A. 40A:20-3(b) are incorporated herein by reference.

iii. Annual Gross Revenue. Any and all revenue derived from or generated by the Phase III Project of whatever kind or amount, whether received as rent from any tenants or income or fees from third parties, including but not limited to fees or income paid or received for parking, or as user fees or for any other services. No deductions will be allowed for operating or maintenance costs, including, but not limited to gas, electric, water and sewer, other utilities, garbage removal and insurance charges, whether paid for by the landlord, tenant or a third party, except for customary operating expenses of commercial tenants such as utilities, insurance and taxes (including payments in lieu of taxes), which shall be deducted from Gross Revenue based on the actual amount of such costs incurred.

iv. Annual Service Charge. The amount the Entity has agreed to pay the City each year for municipal services supplied to the Phase III Project, which sum is in lieu of any taxes on the Improvements pursuant to N.J.S.A. 40A:20-12. The Annual Service Charge shall consist of the Base Annual Service Charge, the County Annual Service Charge and the Pledged Annual Service Charge, as more fully set forth herein and on Schedule 1. The Annual Service Charge shall also include excess net profits payable pursuant to N.J.S.A. 40A:20-15, if any.

v. Auditor's Report. A complete annual financial statement outlining the financial status of the Phase III Project, which shall also include a certification of Total Project Cost and clear computation of the annual Net Profit. The contents of the Auditor's Report shall have been prepared in conformity with generally accepted accounting principles and shall contain at a minimum the following: a balance sheet, a statement of income, a statement of retained earnings or changes in stockholders' equity, a statement of cash flows, descriptions of accounting policies, notes to financial statements and appropriate schedules and explanatory material results of operations, cash flows and any other items required by Law. The Auditor's Report shall be certified as to its conformance with such principles by a certified public accountant who is licensed to practice that profession in the State of New Jersey.

vi. Base Annual Service Charge. That portion of the Annual Service Charge to be paid by the Entity to the City pursuant to Section 4.1(i) hereof. The Base Annual Service Charge shall not be pledged to pay Redevelopment Bonds.

vii. Certificate of Occupancy. A document, whether temporary or permanent, issued by the City authorizing occupancy of a building, in whole or in part, pursuant to N.J.S.A. 52:27D-133.

viii. County Annual Service Charge. That portion of the Annual Service Charge to be paid by the Entity to the City pursuant to 4.1(ii) hereof. The County Annual Service Charge shall not be pledged to pay Redevelopment Bonds.

ix. Debt Service. The amount required to make annual payments of principal and interest or the equivalent thereof on any construction mortgage, permanent mortgage or other financing including returns on institutional equity financing and market rate related party debt for the Phase III Project for a period equal to the term of this Agreement.

x. Default. Shall be a breach of or the failure of the Entity to perform any obligation imposed upon the Entity by the terms of this Agreement, or under the Law, beyond any applicable grace or cure periods.

xi. Entity. The term Entity within this Agreement shall mean Journal Square III Urban Renewal LLC, which Entity is formed and qualified pursuant to N.J.S.A. 40A:20-5. It shall also include any subsequent purchasers or successors in interest of the Phase III Project, provided they are formed and operate under the Law.

xii. Improvements or Phase III Project. Any building, structure or fixture permanently affixed to the land and to be constructed and tax exempted under this Agreement.

xiii. In Rem Tax Foreclosure or Tax Foreclosure. A summary proceeding by which the City may enforce a lien for taxes due and owing by tax sale, under N.J.S.A. 54:5-1 to 54:5-129 et seq.

xiv. Land Taxes. The amount of taxes assessed on the value of land, on which the Phase III Project is located, which for the current fiscal year are approximately \$60,805.70. Land is not exempt; however, Land Taxes shall be applied as a credit against the Base Annual Service Charge in accordance with the Long Term Tax Exemption Law, and Land Taxes shall be applied as a credit against the Nonrefundable Up Front Payment, if any, to the extent provided in Section 4.1(v) hereof.

xv. Land Tax Payments. Payments made on the quarterly due dates, including approved grace periods if any, for Land Taxes (pro rated for Master Condo Unit 3) as determined by the Tax Assessor and the Tax Collector.

xvi. Law. Law shall refer to the Long Term Tax Exemption Law; the Redevelopment Law; the RAB Law; Executive Order of the Mayor 02-003, relating to long term tax exemption, as it may be supplemented; Ordinance 02-075 requiring Disclosure of Lobbyist Status and Ordinance _____, which authorized the execution of this Agreement and all other relevant Federal, State or City statutes, ordinances, resolutions, rules and regulations.

xvii. Lease Up Period. Shall begin on the first day of the month following the issuance of the first Certificate of Occupancy (whether permanent or temporary) for the Phase III Project [Lease Up Date]. During the Lease Up Period, the Entity shall pay the sum equal to the

estimated Annual Service Charge (other than the Pledged Annual Service Charge) divided by the number of units in the Phase III Project divided by 12 for each month at the rate of 30 units per month for the first month and an additional 30 units each month thereafter through the 20th month after Lease Up Date, whether or not the units are actually occupied or generate revenue. The Lease Up Period for the Phase III Project expires 20 calendar months after the Lease Up Date.

xviii. Minimum Annual Service Charge. The Minimum Annual Service Charge shall be: (a) prior to Substantial Completion, the amount of the total taxes levied against the Property, as allocated to the Phase III Project, in the last full tax year in which the area was subject to taxation, which the parties agree is \$132,593.73 for Master Condo Unit 3 (based upon 600 units in the Phase III Project divided by 1,840 total expected units); (b) during the Lease Up Period, the monthly charges set forth in Section 1.1(xvii) hereof, and (c) after expiration of the Lease Up Period, \$666,600.

xix. Net Profit. The Annual Gross Revenues of the Entity less all annual operating and non-operating expenses of the Entity, all determined in accordance with generally accepted accounting principles, but:

(1) there shall be included in expenses: (a) all annual service charges paid pursuant to this Agreement; (b) all annual payments to the City of excess profits pursuant to N.J.S.A. 40A:20-15 or N.J.S.A. 40A:20-16; (c) an annual amount sufficient to amortize (utilizing the straight line method-equal annual amounts) the Total Project Cost and all capital costs determined in accordance with generally accepted accounting principles, of any other entity whose revenue is included in the computation of excess profits over the term of this agreement; (d) all reasonable annual operating expenses of the Entity and any other entity whose revenue is included in the computation of excess profits including the cost of all management fees, brokerage commissions, insurance premiums, all taxes or service charges paid, legal, accounting, or other professional service fees, utilities, building maintenance costs, building and office supplies and payments into repair or maintenance reserve accounts; (e) all payments of rent including but not limited to ground rent by the Entity; (f) all Debt Service; and

(2) there shall not be included in expenses either depreciation or obsolescence, interest on debt, except interest which is part of Debt Service, income taxes or salaries, bonuses or other compensation paid, directly or indirectly to directors, officers and stockholders of the entity, or officers, partners or other persons holding a proprietary ownership interest in the entity.

xx. Pronouns. He or it shall mean the masculine, feminine or neuter gender, the singular, as well as the plural, as context requires.

xxi. Pledged Annual Service Charge. That portion of the Annual Service Charge to be paid by the Entity pursuant to Section 4.1(iii) hereof. The Pledged Annual Service Charge shall be pledged to pay Redevelopment Bonds.

xxii. Substantial Completion. The determination by the City that the Phase III Project, in whole or in part, is ready for the use intended, which ordinarily shall mean the first date on

which the Phase III Project receives, or is eligible to receive (as determined by the Construction Code official), any Certificate of Occupancy whether temporary or permanent for any portion of the Phase III Project, whether or not occupied or leased.

xxiii. Termination. Any act or omission which by operation of the terms of this Financial Agreement shall cause the Entity to relinquish its tax exemption.

xxiv. Total Project Costs. The total cost of constructing the Phase III Project through the date a Certificate(s) of Occupancy is issued for the entire Phase III Project, which categories of cost are set forth in N.J.S.A. 40A:20-3(h). There shall be included in Total Project Cost the actual costs incurred by the Entity and certified by an independent and qualified architect or engineer, which are associated with site remediation and cleanup of environmentally hazardous materials or contaminants in accordance with State or Federal law and any extraordinary costs incurred including the cost of demolishing structures, relocation or removal of public utilities, cost of relocating displaced residents or buildings and the clearing of title, if applicable.

xxv. Trust Indenture. That certain Indenture of Trust, Bond Agreement, or other similar form of agreement, if any, as it may be amended and supplemented, to be entered into by and between the JCRA and the trustee with respect to the Redevelopment Bonds. As used herein, the term "trustee" shall mean the bond trustee or other person acting in a similar capacity.

ARTICLE II - APPROVAL

Section 2.1 Approval of Tax Exemption

The City hereby grants its approval for a tax exemption for the Phase III Project, Master Condo Unit 3, constituting the Improvements to be constructed and maintained in accordance with the terms and conditions of this Agreement and the provisions of the Law which Improvements shall be constructed on the Property.

Section 2.2 Approval of Entity

Approval is granted to the Entity whose Certificate of Formation is attached hereto as Exhibit 4. Entity represents that its Certificate contains all the requisite provisions of the Law; has been reviewed and approved by the Commissioner of the Department of Community Affairs; and has been filed with, as appropriate, the Office of the State Treasurer or Office of the Hudson County Clerk, all in accordance with N.J.S.A. 40A:20-5.

Section 2.3 Improvements to be Constructed

Entity represents that it will construct the Phase III Project; all of which is specifically described in the Application attached hereto as Exhibit 3.

Section 2.4 Construction Schedule

The Entity agrees to diligently undertake to commence construction and complete the Phase III Project in accordance with the Estimated Construction Schedule, attached hereto as Exhibit 5.

Section 2.5 Ownership, Management and Control

The Entity represents that promptly following the recordation of the Master Deed it will be the owner of Master Condo Unit 3. Upon construction, the Entity represents that the Improvements will be used, managed and controlled for the purposes set forth in this Agreement.

Section 2.6 Financial Plan

The Entity represents that the Improvements shall be financed in accordance with the Financial Plan attached hereto as Exhibit 6. The Plan sets forth a good faith estimate of Total Project Cost, the amortization rate on the Total Project Cost, the source of funds, the interest rates to be paid on construction financing, the source and amount of paid-in capital, and the terms of any mortgage amortization.

Section 2.7 Good Faith Estimate of Initial Rents/Master Deed

The Entity represents that its good faith projections of the initial rents and lease terms for the Phase III Project are set forth in Exhibit 7. The entity agrees that the Master Deed shall not be amended in any manner that will reduce the economic benefits to the City, including but not limited to a reduction in any net service charges to the City.

ARTICLE III - DURATION OF AGREEMENT

Section 3.1 Term

So long as there is compliance with the Law and this Agreement, it is understood and agreed by the parties hereto that this Agreement shall remain in effect for the earlier of 35 years from the date of adoption of Ordinance _____ on November __, 2013, which approved the tax exemption, or 30 years from the date of Substantial Completion of the Phase III Project. The tax exemption shall only be effective during the period of usefulness of the Phase III Project and shall continue in force only while the Phase III Project is owned by an entity formed and operating under the Law.

ARTICLE IV - ANNUAL SERVICE CHARGES

Section 4.1 Annual Service Charges

In consideration of the tax exemption, the Entity shall make the following annual payments for the services provided to the Phase III Project:

i. Base Annual Service Charge: The Entity shall pay to the City the Base Annual Service Charge in the amounts set forth on Schedule 1 attached hereto, as adjusted

pursuant to the terms hereof. Year 1 of Schedule 1 shall begin upon Substantial Completion of the Phase III Project.

ii. County Annual Service Charge: The Entity shall pay to the City the County Annual Service Charge, which amount shall be the sum of: (a) five percent (5%) of the sum of the Base Annual Service Charge plus the Pledged Annual Service Charge, each as adjusted pursuant to the terms hereof; and (b) fourteen thousand and no/100 dollars (\$14,000.00) per year for each of the first ten (10) years after Substantial Completion (which amount is designed to approximate the County Annual Service Charges attributable to the Nonrefundable Up Front Payment. The County Annual Service Charge shall not otherwise be payable by the Entity with respect to any Nonrefundable Up Front Payment).

iii. Pledged Annual Service Charge: For so long as Redevelopment Bonds are outstanding and secured by the Pledged Annual Service Charge, the Entity shall pay to the City the Pledged Annual Service Charge in the amounts set forth in Schedule 1 attached hereto. The Pledged Annual Service Charge for the Phase I Project shall be adjusted upon completion of each of the Phase II Project and Phase III Project to allocate a portion of such service charges to such projects. Such allocation to each phase shall be determined on a pro rata basis by dividing the number of completed residential units in such phase by the number of completed residential units on the Property. The Pledged Annual Service Charge shall be adjusted, at the direction of the Entity, to reflect any redemption, refunding, prepayment or other change in the debt service requirements with respect to the Redevelopment Bonds. The Pledged Annual Service Charge shall terminate at such time as Redevelopment Bonds are no longer outstanding or no longer secured by the Pledged Annual Service Charge.

As security for the Redevelopment Bonds, the City and the Entity agree to and hereby assign all of their interest in each Pledged Annual Service Charge to the trustee under the Trust Indenture to pay, and secure the payment of, Redevelopment Bonds. The City's pledge of the Pledged Annual Service Charge shall be absolute. The Pledged Annual Service Charge shall not be included in the general funds of the City. The City's obligation to pay the Pledged Annual Service Charge to the trustee shall be a limited obligation of the City, payable by it only to the extent of payments of Pledged Annual Service Charges received from the Entity, and shall not constitute a general obligation of the City. The City and the Entity shall each take such further actions as may be reasonably requested to effectuate the issuance of the Redevelopment Bonds and the transactions contemplated thereby.

iv. The Minimum Annual Service Charge set forth in Section 1.2(xviii)(a) shall be due beginning on the effective date of this Agreement. Beginning on the first day of the month after Substantial Completion, subject only to the Lease Up Period, the Minimum Annual Service Charge set forth in Section 1.2(xviii)(b) and (c) shall be due in any year where it exceeds the Annual Service Charge. In the event the Entity fails to timely pay the Minimum Annual Service Charge or the Annual Service Charge, the unpaid amount shall bear the highest rate of interest permitted in the case of unpaid taxes or tax liens on land until paid.

v. Prepayment of Annual Service Charge. Entity shall have the option, to be exercised within five (5) business days following the date of Substantial Completion, to make a

one-time payment to the City of the Nonrefundable Up Front Payment set forth on Schedule 1. Payment of the Nonrefundable Up Front Payment shall accompany the Entity's notice to the City that it has exercised its option to make such payment. In the event that the Entity pays the Nonrefundable Up Front Payment, the Base Annual Service Charges shall be as set forth in the table on Schedule 1. In the event that the Entity does not elect to pay the Nonrefundable Up Front Payment, the Base Annual Service Charges shall be as set forth in Note (3) on Schedule 1. For a period of five (5) years following Substantial Completion, the amount, if any, by which Land Taxes exceed the Base Annual Service Charge in any year shall be applied as a nonrefundable credit against (i.e., paid from) the Nonrefundable Up Front Payment, if any, until such time as the Nonrefundable Up Front Payment are exhausted by such credits.

Section 4.2 No Staged Adjustments

Pursuant to the RAB Law (N.J.S.A. 40A:12A-66), service charges payable hereunder shall not be adjusted in stages over the term of the tax exemption period in accordance with N.J.S.A. 40A:20-12.

Section 4.3 Land Tax

The Entity is required to pay both the Annual Service Charge and the pro rated Land Tax Payments for Master Condo Unit 3. The Entity is obligated to make timely Land Tax Payments in order to be entitled to a Land Tax credit against the Base Annual Service Charge for the subsequent year. The Entity shall be entitled to credit for the amount, without interest, of the Land Tax Payments made in the last four preceding quarterly installments against the Base Annual Service Charge. The Entity shall not be entitled to a refund if the Land Tax credit exceeds the Annual Service Charge in any year and shall forfeit that sum. Land Tax Payments shall not be credited against the Pledged Annual Service Charge. In any quarter that the Entity fails to make any Land Tax Payments when due and owing, such delinquency shall render the Entity ineligible for any Land Tax Payment credit against the Base Annual Service Charge until the Land Taxes are paid in full. No credit will be applied against the Base Annual Service Charge for a partial payment of Land Taxes until they are paid in full. In addition, the City shall have, among this remedy and other remedies, the right to proceed against the property pursuant to the In Rem Tax Foreclosure Act, N.J.S.A. 54:5-1 et seq. and/or declare a Default and terminate this Agreement.

Section 4.4 Quarterly Installments/Interest

The Entity expressly agrees that the Annual Service Charge shall be made in quarterly installments on those dates when real estate tax payments are due; subject, nevertheless, to adjustment for over or underpayment within ninety (90) days after the close of each calendar year. In the event that the Entity fails to pay the Annual Service Charge or any other charge due under this Agreement, the unpaid amount shall bear the highest rate of interest permitted in the case of unpaid taxes or tax liens on the land until paid in full.

Section 4.5 Administrative Fee

The Entity shall also pay an annual administrative fee [Administrative Fee] to the City in addition to the Annual Service Charge and Land Tax levy. The Administrative Fee shall be calculated as one-half of one percent (0.5%) of each prior year's Annual Service Charge plus, for the year paid only, the Nonrefundable Up Front Payment. This fee shall be payable and due on or before December 31st of each year, and collected in the same manner as the Annual Service Charge.

Section 4.6 Affordable Housing Contribution

The Entity will pay the City the sum of \$921,000 (calculated as \$1,500 per residential unit for 600 units (\$900,000), plus \$1.50 per square foot for 14,000 square feet of commercial space (\$21,000)) as a contribution for affordable housing. The sum shall be due and payable as follows: one third of the contribution (\$307,000) upon the issuance of the first construction permit for the Phase III Project by the City of Jersey City with no other time limitation, one third of the contribution (\$307,000) upon the first anniversary of the issuance of the first construction permit for the Phase III Project by the City of Jersey City with no other time limitation, and one third of the contribution (\$307,000) upon issuance of the first certificate of occupancy for the Phase III Project with no other time limitation.

Section 4.7 Material Conditions

It is expressly agreed and understood that the timely payments of Land Taxes, Minimum Annual Service Charge and Annual Service Charges, including adjustments thereto, Administrative Fees, Affordable Housing Contributions, and any interest thereon, are Material Conditions of this Agreement.

ARTICLE V - PROJECT EMPLOYMENT AND CONTRACTING AGREEMENT

Section 5.1 Project Employment and Contracting Agreement

In order to provide City residents and businesses with certain employment and other economic related opportunities, the Entity is subject to the terms and conditions of the Project Employment and Contracting Agreement, attached hereto as Exhibit 8.

Section 5.2 Project Labor Agreement

The Entity shall execute a Project Labor Agreement as required by Ordinance 07-123 as it exists or as it may be amended from time to time. A copy of the fully executed Project Labor Agreement shall be provided to the City and attached hereto as Exhibit 11.

ARTICLE VI - CERTIFICATE OF OCCUPANCY

Section 6.1 Certificate of Occupancy

It is understood and agreed that it shall be the obligation of the Entity to obtain all Certificates of Occupancy in a timely manner so as to complete construction substantially in accordance with the proposed construction schedule attached hereto as Exhibit 5.

Section 6.2 Filing of Certificate of Occupancy

It shall be the primary responsibility of the Entity to forthwith file with both the Tax Assessor and the Tax Collector a copy of each Certificate of Occupancy.

Failure of the Entity to file such issued Certificate of Occupancy as required by the preceding paragraph, shall not militate against any action or non-action, taken by the City, including, if appropriate retroactive billing with interest for any charges determined to be due, in the absence of such filing by the Entity.

ARTICLE VII - ANNUAL REPORTS

Section 7.1 Accounting System

The Entity agrees to maintain a system of accounting and internal controls established and administered in accordance with generally accepted accounting principles.

Section 7.2 Periodic Reports

A. Auditor's Report: Within ninety (90) days after the close of each fiscal or calendar year, depending on the Entity's accounting basis that the Agreement shall continue in effect, the Entity shall submit to the Mayor and Municipal Council and the NJ Division of Local Government Services in the Department of Community Affairs, its Auditor's Report for the preceding fiscal or calendar year. The Auditor's Report shall include, but not be limited to gross revenue, and the terms and interest rate on any mortgage(s) associated with the purchase or construction of the Phase III Project and such details as may relate to the financial affairs of the Entity and to its operation and performance hereunder, pursuant to the Law and this Agreement. The Report shall clearly identify and calculate the Net Profit for the Entity during the previous year, plus excess net profit, if any, in accordance with Article VII hereof. Excess Net Profit shall be paid to the City for each year an excess net profit is generated.

B. Total Project Cost Audit: Within ninety (90) days after Substantial Completion of the Phase III Project, the Entity shall submit to the Mayor, Municipal Council, the Tax Collector and the City Clerk, who shall advise those municipal officials required to be advised, an audit of Total Project Cost, including but not limited to an audit of actual construction costs as certified by the Phase III Project architect.

C. Disclosure Statement: On the anniversary date of the execution of this Agreement, and each and every year thereafter while this agreement is in effect, the Entity shall submit to the Municipal Council, the Tax Collector and the City Clerk, who shall advise those municipal officials required to be advised, a Disclosure Statement listing the persons having an ownership interest in the Phase III Project, and the extent of the ownership interest of each and such

additional information as the City may request from time to time. Unless the owner is a publicly traded corporation, all disclosures shall include the ownership interests down to the individual persons owning any corporate interest in the Entity.

Section 7.3 Inspection/Audit

The Entity shall permit the inspection of its property, equipment, buildings and other facilities of the Phase III Project and, if deemed appropriate or necessary, any other related entity by representatives duly authorized by the City or the NJ Division of Local Government Services in the Department of Community Affairs. It shall also permit, upon request, an annual examination and audit of its books, contracts, records, documents and papers. Such examination or audit shall be made during the reasonable hours of the business day, in the presence of an officer or agent designated by the Entity for any year during which the tax exemption financial agreement was in full force and effect.

Section 7.4 Payment of City's Audit Costs

All costs incurred by the City to conduct a review of the Entity's audits, including reasonable attorneys' fees if appropriate, shall be billed to the Entity and paid to the City as part of the Entity's Annual Service Charge. Delinquent payments shall accrue interest at the same rate as for a delinquent service charge.

ARTICLE VIII- LIMITATION OF PROFITS AND RESERVES

Section 8.1 Limitation of Profits and Reserves

During the period of tax exemption as provided herein, the Entity shall be subject to a limitation of its profits pursuant to the provisions of N.J.S.A. 40A:20-15, to be calculated annually.

The Entity shall have the right to establish a reserve against vacancies, unpaid rentals, and reasonable contingencies in an amount equal to five percent (5%) of the Annual Gross Revenue of the Entity for the last full fiscal year and may retain such part of the Excess Net Profits as is necessary to eliminate a deficiency in that reserve, as provided in N.J.S.A. 40A:20-15. The reserve is to be non-cumulative, it being intended that no further credits thereto shall be permitted after the reserve shall have attained the allowable level of five percent (5%) of the preceding year's Annual Gross Revenue.

Section 8.2 Annual Payment of Excess Net Profit

In the event the Net Profits of the Entity, in any year, exceeds the Allowable Net Profits for such year, then the Entity, within one hundred and twenty (120) days after the end of the year, shall pay such excess Net Profits to the City as an additional annual service charge; provided, however, that the Entity may maintain a reserve as determined pursuant to aforementioned paragraph 8.1. The calculation of the Entity's Excess Net Profits shall include those project costs directly attributable to site remediation and cleanup expenses and any other

costs excluded in the definition of Total Project Cost in Section 1.2(xxiv) of this Agreement even though those costs may have been deducted from the project costs for purposes of calculating the Annual Service Charge.

Section 8.3 Payment of Reserve/Excess Net Profit Upon Termination, Expiration or Sale

The date of termination or expiration of this Agreement or the sale of the Phase III Project shall be considered to be the close of the fiscal year of the Entity. Within ninety (90) days after such date, the Entity shall pay to the City the amount of the reserve, if any, maintained by it pursuant to this section and the balance of the Excess Net Profit, if any.

ARTICLE IX - ASSIGNMENT AND/OR ASSUMPTION

Section 9.1 Approval of Sale

Any sale or transfer of the Phase III Project shall be void unless approved in advance by Ordinance of the Municipal Council. It is understood and agreed that the City, on written application by the Entity, will not unreasonably withhold its consent to a sale of the Phase III Project and the transfer of this Agreement provided 1) the new entity does not own any other project subject to long term tax exemption at the time of transfer; 2) the new entity is formed and eligible to operate under the Law; 3) the Entity is not then in default of this Agreement or the Law; 4) the Entity's obligations under this Agreement are fully assumed by the new entity; 5) the Entity pays in full the maximum transfer fee, 2% of the Annual Service Charge, as permitted by N.J.S.A. 40A:20-10(d).

Nothing herein shall prohibit any transfer of the ownership interest in the Entity itself provided that the transfer, if greater than 10%, is disclosed to the City in the annual disclosure statement or in correspondence sent to the City in advance of the filing of the annual disclosure statement.

Section 9.2 Transfer Application Fee

Where the consent or approval of the City is sought for approval of a change in ownership or sale or transfer of the Phase III Project, the Entity shall be required to pay to the City a new tax exemption application fee for the legal and administrative services of the City, as it relates to the review, preparation and/or submission of documents to the Municipal Council for appropriate action on the requested assignment. The fee shall be non-refundable.

ARTICLE X - COMPLIANCE

Section 10.1 Operation

During the term of this Agreement, the Phase III Project shall be maintained and operated in accordance with the provisions of the Law. Operation of the Phase III Project under this Agreement shall not only be terminable as provided by N.J.S.A. 40A:20-1 et seq., as amended and supplemented, but also by a Default under this Agreement. The Entity's failure to comply

with the Law shall constitute a Default under this Agreement and the City shall, among its other remedies, have the right to terminate the tax exemption.

Section 10.2 Disclosure of Lobbyist Representative

During the term of this Agreement, the Entity must comply with Executive Order 2002-005, and Ordinance 02-075, requiring Written Disclosure of Lobbyist Representative Status. The Entity's failure to comply with the Executive Order or the Ordinance shall constitute a Default under this Agreement and the City shall, among its other remedies, have the right to terminate the tax exemption.

ARTICLE XI - DEFAULT

Section 11.1 Default

Default shall be failure of the Entity to conform with the terms of this Agreement or failure of the Entity to perform any obligation imposed by the Law, beyond any applicable notice, cure or grace period.

Section 11.2 Cure Upon Default

Should the Entity be in Default, the City shall send written notice to the Entity of the Default [Default Notice]. The Default Notice shall set forth with particularity the basis of the alleged Default. The Entity shall have sixty (60) days, from receipt of the Default Notice, to cure any Default which shall be the sole and exclusive remedy available to the Entity. However, if, in the reasonable opinion of the City, the Default cannot be cured within sixty (60) days using reasonable diligence, the City will extend the time to cure.

Subsequent to such sixty (60) days, or any approved extension, the City shall have the right to terminate this Agreement in accordance with Section 12.1.

Section 11.3 Remedies Upon Default

The City shall, among its other remedies, have the right to proceed against the property pursuant to the In Rem Tax Foreclosure Act, N.J.S.A. 54:5-1 et seq. In order to secure the full and timely payment of the Annual Service Charge, the City on its own behalf, or on behalf of the JCRA and/or the Trustee, reserves the right to prosecute an In Rem Tax Foreclosure action against the land and improvements in accordance with Applicable Law, as more fully set forth in this Financial Agreement.

In addition, the City may declare a Default and terminate this Agreement. Any default arising out of the Entity's failure to pay Land Taxes, Minimum Annual Service Charge, Administrative Fees, Affordable Housing Contribution or the Annual Service Charges, shall not be subject to the default procedural remedies as provided in Article XI herein, but shall allow the City to proceed immediately to terminate the Agreement as provided in Article XII. All of the remedies provided in this Agreement to the City, and all rights and remedies granted to it by law

and equity shall be cumulative and concurrent. No termination of any provision of this Agreement shall deprive the City of any of its remedies or actions against the Entity because of its failure to pay Land Taxes, Minimum Annual Service Charge, Annual Service Charge, Affordable Housing Contribution or Administrative Fees. This right shall apply to arrearages that are due and owing at the time or which, under the terms hereof, would in the future become due as if there had been no termination. Further, the bringing of any action for Land Taxes, Minimum Annual Service Charge, the Annual Service Charge, Affordable Housing Contribution, Administrative Fees, or for breach of covenant or the resort to any other remedy herein provided for the recovery of Land Taxes shall not be construed as a waiver of the rights to terminate the tax exemption or proceed with a tax sale or Tax Foreclosure action or any other specified remedy.

In the event of a Default on the part of the Entity to pay any charges set forth in Article IV, the City among its other remedies, reserves the right to proceed against the Entity's land and property, in the manner provided by the In Rem Tax Foreclosure Act, and any act supplementary or amendatory thereof. Whenever the word taxes appear, or is applied, directly or impliedly to mean taxes or municipal liens on land, such statutory provisions shall be read, as far as is pertinent to this Agreement, as if the charges were taxes or municipal liens on land.

ARTICLE XII- TERMINATION

Section 12.1 Termination Upon Default of the Entity

In the event the Entity fails to cure or remedy the Default within the time period provided in Section 11.2, the City may terminate this Agreement upon thirty (30) days written notice to the Entity [Notice of Termination].

Section 12.2 Voluntary Termination by the Entity

Except for so long as Redevelopment Bonds are outstanding and secured by the Pledged Annual Service Charge (during which period the Entity shall not relinquish its status as a tax exempt project), the Entity may notify the City that it will relinquish its status as a tax exempt project, after the expiration of one year from the Substantial Completion of the Phase III Project, as of the January 1 of the year next ensuing. The Notice of Voluntary Termination must be received by the City no later than October 1st of the tax year preceding the calendar year in which the termination is to occur. As of the date so set, the tax exemption, the Annual Service Charges and the profit and dividend restrictions shall terminate. However, under no circumstances will the Entity be entitled to any refund, in whole or in part, of any funds paid to the City to obtain the tax exemption, including but not limited to the Affordable Housing Contribution.

Section 12.3 Final Accounting

Within ninety (90) days after the date of termination, whether by affirmative action of the Entity or by virtue of the provisions of the Law or pursuant to the terms of this Agreement, the Entity shall provide a final accounting and pay to the City the reserve, if any, pursuant to the provisions of N.J.S.A. 40A:20-13 and 15 as well as any remaining excess Net Profits. For

purposes of rendering a final accounting the termination of the Agreement shall be deemed to be the end of the fiscal year for the Entity.

Section 12.4 Conventional Taxes

Upon Termination or expiration of this Agreement, the tax exemption for the Phase III Project shall expire and the land and the Improvements thereon shall thereafter be assessed and conventionally taxed according to the general law applicable to other nonexempt taxable property in the City.

ARTICLE XIII - DISPUTE RESOLUTION

Section 13.1 Arbitration

In the event of a breach of the within Agreement by either of the parties hereto or a dispute arising between the parties in reference to the terms and provisions as set forth herein, either party may apply to the Superior Court of New Jersey by an appropriate proceeding, to settle and resolve the dispute in such fashion as will tend to accomplish the purposes of the Law. In the event the Superior Court shall not entertain jurisdiction, then the parties shall submit the dispute to the American Arbitration Association in New Jersey to be determined in accordance with its rules and regulations in such a fashion to accomplish the purpose of the Long Term Tax Exemption Law. The Entity shall pay the City's cost for the arbitration if the City is the prevailing party. The parties agree that the Entity may not file an action in Superior Court or with the Arbitration Association unless the Entity has first paid in full all charges defined in Section 4.7 as Material Conditions.

Section 13.2 Appeal of Assessment

In calculating the amount of taxes otherwise due for any purpose, the Entity may file an appeal of the conventional assessment with the Hudson County Tax Board or the Superior Court of New Jersey, Tax Court to determine the value of land and Improvements.

ARTICLE XIV - WAIVER

Section 14.1 Waiver

Nothing contained in this Financial Agreement or otherwise shall constitute a waiver or relinquishment by the City of any rights and remedies, including, without limitation, the right to terminate the Agreement and tax exemption for violation of any of the conditions provided herein. Nothing herein shall be deemed to limit the City's right to audit or recover any amount which the City has under law, in equity, or under any provision of this Agreement.

ARTICLE XV – INDEMNIFICATION

Section 15.1 Defined

It is understood and agreed that in the event the City shall be named as party defendant in any action by a third party alleging any breach, default or a violation of any of the provisions of this Agreement and/or the provisions of N.J.S.A. 40A:20-1 et seq., the Entity shall indemnify and hold the City harmless against any and all liability, loss, cost, expense (including reasonable attorneys' fees and costs, through trial and all stages of any appeal, including the cost of enforcing this indemnity) arising out of this Agreement. In addition, the Entity expressly waives all statutory or common law defenses or legal principles which would defeat the purposes of this indemnification. The Entity also agrees to defend the suit at its own expense. However, the City maintains the right to intervene as a party thereto, to which intervention the Entity consents; the expense thereof to be borne by the City.

ARTICLE XVI- NOTICE

Section 16.1 Certified Mail

Any notice required hereunder to be sent by either party to the other shall be sent by certified or registered mail, return receipt requested.

Section 16.2 Sent by City

When sent by the City to the Entity the notice shall be addressed to:

Journal Square III Urban Renewal LLC
520 US Highway 22, P.O. Box 6872
Bridgewater, NJ 08807
Attn: David B. Kahan, Esq.

And

DeCotiis, FitzPatrick & Cole, LLP
Glenpointe Centre West
500 Frank W. Burr Blvd., Suite 31
Teaneck, NJ 07666
Attn: Jeffrey G. Kramer, Esq.

unless prior to giving of notice the Entity shall have notified the City in writing otherwise.

In addition, provided the City is sent a formal written notice in accordance with this Agreement, of the name and address of Entity's Mortgagee, the City agrees to provide such Mortgagee with a copy of any notice required to be sent to the Entity.

Section 16.3 Sent by Entity

When sent by the Entity to the City, it shall be addressed to:

City of Jersey City, Office of the City Clerk

City Hall
280 Grove Street
Jersey City, New Jersey 07302

with copies sent to the Corporation Counsel, the Business Administrator, and the Tax Collector unless prior to the giving of notice, the City shall have notified the Entity otherwise. The notice to the City shall identify the Phase III Project to which it relates (i.e., the Urban Renewal Entity and the Property's Block and Lot number).

ARTICLE XVII-SEVERABILITY

Section 17.1 Severability

If any term, covenant or condition of this Agreement or the Application, except a Material Condition, shall be judicially declared to be invalid or unenforceable, the remainder of this Agreement or the application of such term, covenant or condition to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term, covenant or condition of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

If a Material Condition shall be judicially declared to be invalid or unenforceable and provided the Entity is not in Default of this Agreement, the parties shall cooperate with each other to take the actions reasonably required to restore the Agreement in a manner contemplated by the parties and the Law. This shall include, but not be limited to the authorization and re-execution of this Agreement in a form reasonably drafted to effectuate the original intent of the parties and the Law. However, the City shall not be required to restore the Agreement if it would modify a Material Condition, the amount of the periodic adjustments or any other term of this Agreement which would result in any economic reduction or loss to the City.

ARTICLE XVIII - MISCELLANEOUS

Section 18.1 Construction

This Agreement shall be construed and enforced in accordance with the laws of the State of New Jersey, and without regard to or aid of any presumption or other rule requiring construction against the party drawing or causing this Agreement to be drawn since counsel for both the Entity and the City have combined in their review and approval of same.

Section 18.2 Conflicts

The parties agree that in the event of a conflict between the Application and the language contained in the Agreement, the Agreement shall govern and prevail. In the event of conflict between the Agreement and the Law, the Law shall govern and prevail.

Section 18.3 Oral Representations

There have been no oral representations made by either of the parties hereto which are not contained in this Agreement. This Agreement, the Ordinance authorizing the Agreement, and the Application constitute the entire Agreement between the parties and there shall be no modifications thereto other than by a written instrument approved and executed by both parties and delivered to each party.

Section 18.4 Entire Document

This Agreement and all conditions in the Ordinance of the Municipal Council approving this Agreement are incorporated in this Agreement and made a part hereof.

Section 18.5 Good Faith

In their dealings with each other, utmost good faith is required from the Entity and the City.

ARTICLE XIX – SCHEDULES AND EXHIBITS

Section 19.1 Schedules

The following Schedules are attached hereto and incorporated herein as if set forth at length herein:

1. Base Annual Service Charge and Pledged Annual Service Charge.

Section 19.2 Exhibits

The following Exhibits are attached hereto and incorporated herein as if set forth at length herein:

1. Metes and Bounds description of the Project;
2. Ordinance of the City authorizing the execution of this Agreement;
3. The Application with Exhibits;
4. Certificate of the Entity;
5. Estimated Construction Schedule;
6. The Financial Plan for the undertaking of the Phase III Project;
7. Good Faith Estimate of Initial Rental Schedule and Lease Terms;
8. Project Employment and Contracting Agreements and Project Labor Agreement;
9. Architect's Certification of Actual Construction Costs;
10. Entity's Deed to be provided upon recordation
11. Executed Project Labor Agreement.

IN WITNESS WHEREOF, the parties have caused these presents to be executed the day and year first above written.

WITNESS:

JOURNAL SQUARE III URBAN RENEWAL LLC

By: Journal Square Associates LLC, its sole Member

By: Journal Square Corp., its Manager

By: Murray Kushner, President

ATTEST:

CITY OF JERSEY CITY

Robert Byrne, RMC, City Clerk

Robert J. Kakoleski, CMFO, Acting Business
Administrator

SCHEDULE 1

BASE ANNUAL SERVICE CHARGES

Base Annual Service Charges:

<u>Years</u>	<u>Description</u>	<u>Per Unit⁽¹⁾ Base Annual Service Charge</u>	<u>Total Base Annual Service Charge</u> (assumes 600 Units)
1	Nonrefundable Up Front Payment ⁽²⁾	\$4,904.63	\$2,942,776.71
1 – 10 (Stage 1)	Base Annual Service Charge	\$1,111.00	\$666,600.00
11 - to Beginning of Stage 3 (Stage 2)	Base Annual Service Charge	\$2,500.00	\$1,500,000.00
Last 5 Years of Term (Stage 3) ⁽³⁾	Base Annual Service Charge		.10% of Annual Gross Revenue

(1) – “Unit” refers to residential units in the Phase III Project.

(2) – Payment of the Nonrefundable Up Front Payment, which would occur within five (5) days following Substantial Completion of the Phase III Project, is at the option of the Entity. The above schedule assumes the Entity elects to pay the Nonrefundable Up Front Payment. If the Entity does not elect to pay the Nonrefundable Up Front Payment, the Base Annual Service Charges shall be as follows:

- (i) Years 1 - 5, the Base Annual Service Charge shall be \$1,786.00 per Unit (\$1,071,600.00 in total assuming 600 Units);
- (ii) Years 6 - 10, the Base Annual Service Charge shall be \$1,842.00 per Unit (\$1,105,200.00 in total assuming 600 Units); and
- (iii) Years 11 to End – as set forth above.

(3) – The Base Annual Service Charge for the last five (5) years of the term of the tax exemption, assuming no early termination (“Stage 3”), shall be an amount equal to 10% of Annual Gross Revenue.

PLEDGED ANNUAL SERVICE CHARGE

<u>Year</u>	<u>Pledged Annual Service Charge</u>
1 - End	The Pledged Annual Service Charge shall be an allocated amount of the Pledged Annual Service Charge provided in the Phase I Financial Agreement.

Notes:

1. The Pledged Annual Service Charge shall be paid in equal quarterly installments on those dates when real estate tax payments are due.
2. The Pledged Annual Service Charge (together with the Pledged Annual Service Charges under the Phase I Financial Agreement and Phase II Financial Agreement) shall be set in amounts necessary to repay Redevelopment Bonds, including annual costs with respect thereto. The Pledged Annual Service Charge shall be adjusted upon completion of each of the Phase II Project and Phase III Project to allocate a portion of such service charge to such projects. The Pledged Annual Service Charge shall also be adjusted, at the direction of the Entity, to reflect any redemption, refunding, prepayment or other change in the debt service requirements with respect to the Redevelopment Bonds.

DATE: October 25, 2013
TO: For distribution to City Council and City Clerk
FROM: Al Cameron Tax Collector's Office
SUBJECT: TAX ABATEMENT: Journal Square I Urban Renewal, L.L.C., Phase III
Block 9501, Lots 4-8 & 10-16
CC: J. Thieroff, M. Cosgrove, J. Monahan, D. Jeffrey

INTRODUCTION:

The applicant, Journal Square III Urban Renewal, L.L.C., is applying for a thirty (30) Year tax abatement under N.J.S.A. 40 A: 20-1 et seq. The applicant is also requesting Redevelopment Area Bond financing

LOCATION OF THE PROPERTY:

The property is located at 595-621 Pavonia Avenue, 535-539 Summit Avenue and 136 Magnolia Avenue. It consists of Block 9501 Lots 4-8 & 10-16. It is approximately 2.23 acres.

PROPERTY TO BE CONSTRUCTED:

Phase III will be a sixty (60) story mixed use residential project consisting of six hundred (600) residential units and fourteen thousand (14,000) sq. Ft. of commercial space. There will be two parking garages with two hundred forty-five (245) parking spaces.

ESTIMATED TOTAL PROJECT COST:

The estimated total project cost is \$212,793,640. The cost of construction is estimated to be \$164,618,890.

CONSTRUCTION SCHEDULE:

Construction is scheduled to begin in September 2026 and completed in approximately three (3) years.

ESTIMATED JOBS CREATED:

The applicant estimates that there will be seven hundred ninety (790) jobs created

during Construction and fifty-seven (57) permanent jobs after construction.

AFFORDABLE HOUSING TRUST FUND CONTRIBUTIONS:

The applicant proposes an AHTF contribution of \$921,000 for the residential units and Commercial space. However; there may be an additional fee due for the parking Garage depending upon its availability for public use.

CURRENT REAL ESTATE TAXES:

The Tax Assessor determined the total assessed value for the twelve (12) lots proposed for the entire project is \$4,415,500. Using the current tax rate of \$74.66 per thousand, the total annual taxes for the land is \$329,661.23. The applicant has not identified the specific lots that are in the Phase II development. However; based upon the number of units in each phase the allocated land tax for phase I would be \$96,751.89. Using the same formula Phase II would be \$125,413.87, Phase III would be \$107,495.47 and the total for all three phases would be \$329,661.23.

PROPOSED ABATEMENT:

The applicant has requested a term of thirty (30) years for the abatement. The Applicant has submitted a schedule of payments to be known as the Base Annual Service Charge. The Base Annual Service Charge is determined upon a fixed per unit service charge beginning at \$1,111.00 per residential unit in years one (1) through ten (10). It increases to \$2,500.00 for years eleven (11) through twenty-five (25) The Minimum Service Charge for phase III is \$154,692.68 which includes land tax of \$107,465.47. Service charges for commercial, miscellaneous or parking revenue are included in the Base Service Charge. The Applicant will make a nonrefundable upfront payment of \$2,942,766.00 within five (5) business days of substantial completion as defined in the Financial Agreement. The final five (5) years under either plan would be at ten percent (10%) of gross revenue. No adjustment has been made for vacancies in these calculations.

PROPOSED REVELOPMENT AREA BOND (RAB):

The applicant anticipates the need for substantial infrastructure improvements. To help meet this need the applicant has requested that the Jersey City Redevelopment Agency issue \$ 10 Million in redevelopment bonds for this purpose. The Developer will pay a Pledged Annual Service Charge to be used solely for the payment of the RAB. The Pledged Annual Service Charge will be adjusted and redistributed among additional phases as they are completed. A portion of the Pledged Annual Service Charge paid by Phase I & II will be

allocated to Phase III. The total Annual Service charge paid each year will remain at \$515,000. Each Phase will pay a portion as allocated by the developer.

PROPOSED REVENUE TO THE CITY:

The Base Annual Service Charge in year one (1) is \$1,111 per residential unit. The Minimum proposed minimum payment is \$154,692.68 which includes land tax of \$107,495.47. Based upon the lease up rate of Thirty-five (35) units per month the first year's payment would be approximately \$252,752.350. At full occupancy it would be \$666,600.

The Pledged Annual Service Charge is to be set aside to pay the Redevelopment Area Bonds (RAB), the Phase III allocation is yet to be determined.

The Pledged annual service charge is payable each year for as long as the bonds are outstanding. Since the Pledged Annual Service Charge shall terminate when the RAB is fully paid or when the Bonds are no longer secured by the Pledged Annual Service Charge, it should not be considered revenue to the City.

FISCAL IMPACT COST ANALYSIS: See attached.

CONCLUSION:

Journal Square is an area that has been in decline in recent years. The need to restore Journal Square to its former stature cannot be understated, both for the residents of that area and the economics of the City as a whole. The project proposed by KRE represents the first substantial project to be built in Journal Square in more than 30 years. The first phase of this project is 54 stories and will not only improve Journal Square, but also once again reshape the city's entire skyline. Overall this \$660 million construction project will create hundreds of jobs and will pay \$2.8 million into the city's affordable housing trust fund.

The underlying benefits of having a project of this significance commence weighs heavily in favor of this application being approved, notwithstanding the fiscal impact cost analysis (attached).

FISCAL IMPACT COST PROJECTION (MARKET RATE CONDOMINIUMS)
 Entity: JOURNAL SQUARE III URBAN RENEWAL
 Block: 9501 Lot: 4 - 8, 10 - 16

Condo Units with Retail & Parking Planned Development	Number of Units	Demographic Multipliers Household	Students	Total		Annual Expenditures		Total Annual Expenditures		
				Residents	Students	Per Capita Municipal	Per Pupil Per School District	Municipal	School District	School District
Studio	150	1,000	0.000	150.00	0.00	\$1,153.91	\$3,005.00	\$173,086.50	\$0.00	\$173,086.50
1 - Bedroom	378	1,421	0.000	537.14	0.00	\$1,153.91	\$3,005.00	\$619,808.91	\$0.00	\$619,808.91
2 - Bedroom	60	2,012	0.032	120.72	1.92	\$1,153.91	\$3,005.00	\$139,300.02	\$5,769.60	\$145,069.62
3 - Bedroom	12	2,798	0.038	33.58	0.46	\$1,153.91	\$3,005.00	\$38,743.68	\$1,370.28	\$40,113.96
TOTAL	600							\$932,195.42	\$7,139.88	\$978,078.99

1. Total Municipal Ratables Commercial Ratables	\$5,795,484,581 \$1,374,936,492	4. Fiscal Year 2013 Budget	\$500,097,007	6. Population of Jersey City (2010 Census)	247,597	9. Increase in Services Incurred Per Development	\$978,078.99
2. Residential Ratables	\$3,310,951,465	5. Residential Portion	\$285,704,654	7. Per Capita Municipal Cost	\$1,153.91	10. Anticipated Gross PILOT	\$1,071,600.00
3. Residential Ratables as a Percentage of Total Ratables	57.13%			8. Annual Expenditures Per Student Municipal Portion	\$3,005.00	11. Net PILOT & J.C.'s Portion of Land Tax	\$1,487,037.53
						12. Implied Surplus	\$508,958.54

Classic Average costing approach for projecting the impact of population change and local Municipal and School District costs.

October 24, 2013

Via email and First Class Mail

Diana Jeffrey, Esq.
City of Jersey City, Law Dept.
City Hall
280 Grove Street
Jersey City, New Jersey 07302

**Re: Application for Tax Exemption
Journal Square III Urban Renewal LLC
Project: Phase 3 of Journal Squared, 595-621 Pavonia Avenue, 535-539
Summit Avenue and 136 Magnolia Avenue**

Dear Ms. Jeffrey:

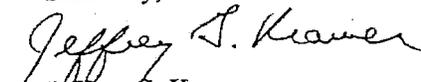
Please accept this letter as our formal supplement to the above referenced Application for Tax Exemption, dated September 26, 2013. The Application is supplemented by each of the following:

1. Fiscal Plan, provided to you on October 1, 2013 (copy enclosed);
2. Revised Total Project Cost certification, provided to you on October 16, 2013 (copy enclosed); and
3. Conveyance Agreements, provided to you on October 24, 2013 (copy enclosed).

We also provided to you revised drafts of our proposed form of Financial Agreement on each of October 9, 2013, October 18, 2013 and October 24, 2013. Because that agreement is technically the City's document, we have not enclosed copies of those drafts.

Please feel free to contact me with any questions. Thank you in advance for your time and consideration in this matter.

Sincerely,


Jeffrey G. Kramer

Encl.

cc: Journal Square III Urban Renewal LLC (w/ encl.)
Joanne Monahan, Esq. (w/ encl. via email)
Chris Walrath, Esq. (w/ encl. via email)



Journal Squared
 Operating Projections
 FIRST STABILIZED YEAR

			Phase III	
Estimated Total Project Cost ¹ (per N.J.S.A. 40a:20-3(h))			\$212,793,640	
	<u>Size</u>	<u># Units</u>	<u>Rent/Mo. ²</u>	
<u>INCOME</u>	0 BR	496 sf	150	2,352
	1 BR	701 sf	330	2,889
	1 BR+	825 sf	48	3,024
	2 BR	1,056 sf	60	3,427
	3 BR	1,162 sf	12	3,830
Total Units/Avg Size			600	
Average Unit Size			704 sf	
Average Rents			Per Month \$2,838	
			Per SF/Year \$48.35	
Total Income From Rent			\$20,436,130	
Other Income (Parking, Retail, Other)			\$2,015,040	
Vacancy 3%			(\$673,535)	
Gross Operating Income			\$21,777,635	
EXPENSES				
Total Operating Expenses (before RE Taxes) ²			\$5,329,622	
RE Taxes - PILOT Payment - First Year Op ³			\$1,111 /u	\$666,600
Admin Charge			\$13,332	
Gross Operating Expenses			\$6,009,554	
Net Operating Income			\$15,768,081	
Debt Service				
Loan Amount ⁴			180,206,640	
Interest Rate			5.0%	
Term			30	
Constant			6.44%	
Debt Service Payment			\$11,608,659	
Net Income			\$4,159,422	

- (1) Assumes Phase I Hard Costs at \$250 psf and annual growth for Phases II & III
- (2) Assumes 3% annual growth over 5 years
- (3) Prior to optional prepayment of annual PILOT, as per Financial Agreements
- (4) Loan Proceeds are calculated based upon Lenders' DSCR, LTV, and Debt Yield requirements.

EXHIBIT C
JOURNAL SQUARE III URBAN RENEWAL LLC

Total Project Cost

Estimated Total Project Cost Calculation per N.J.S.A. 40A:20-3(h):

Item	Phase III
A. Cost of land and improvements to Urban Renewal Entity	\$9,229,806
B. Architects, Engineers, surveying and Attorney Fees (paid or payable) in connection with the planning, construction and financing of the Project	\$9,636,000
C. Projected construction cost per architect's estimate Bids include site preparation	\$164,618,890
D. Insurance, Interest, and Finance costs during Construction	\$17,010,000
E. Cost of Obtaining Initial Permanent Financing	\$1,610,000
F. Marketing and other expenses payable in connection with the initial lease of units	\$2,281,000
G. Real Estate Taxes and Assessments during Construction Period	\$177,000
H. Developer's Overhead based on a percentage of (c) above, to be computed in accordance with percentage given in law N.J.S.A. 40A:20-3 (h)	\$8,230,944
Total Project Cost	\$212,793,640

EXHIBIT C-1

JOURNAL SQUARE III URBAN RENEWAL LLC

Certification of Estimated Construction Costs

See attached.

October 16, 2013

KRE Group

Re: Journal Square III Urban Renewal LLC – Phase III Project (the “Project”)
Certification of Estimated Construction Costs

Dear Sirs:

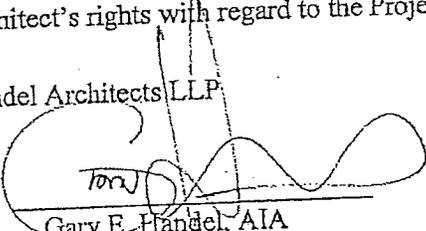
The undersigned (the “Architect”) being the architect for the Project to be developed by Journal Square II Urban Renewal LLC (the “Owner”) does hereby certify, in Architect’s professional opinion, based upon: (i) Architect’s knowledge, information, and belief obtained through Architect’s performance of its professional services on the Project in accordance with the professional standards of skill and care ordinarily exercised by other architects providing similar services in the same locale under similar circumstances and conditions and (ii) representations, information, and services provided by others on the Project, that, as of this date, the estimated construction cost of \$164,618,889 provided to the Architect for Phase III of the Project (as such Project is shown on the current plans and specifications prepared by the design team) appears reasonable.

This is an estimate only and Architect has no control over the cost of labor, materials, or equipment, or over competitive bidding, market, or negotiating conditions. Accordingly, Architect does not warrant the accuracy of the cost estimate.

Finally, this certification is being provided solely for the benefit of Owner and nothing contained in this certificate shall (i) create a contractual relationship with or a cause of action in favor of a third party against Architect or (ii) increase Architect’s duties or obligations or decrease Architect’s rights with regard to the Project or otherwise.

Handel Architects LLP

By:


Gary E. Handel, AIA

REAL PROPERTY CONVEYANCE AGREEMENT

THIS REAL PROPERTY CONVEYANCE AGREEMENT ("Agreement") is made as of the 25th day of September, 2013 by and between JOURNAL SQUARE ASSOCIATES, LLC, a New Jersey limited liability company having its principal office at c/o KRE Group, 520 US Highway 22, P.O. Box 6872, Bridgewater, New Jersey 08807 ("JSA"), and JOURNAL SQUARE III URBAN RENEWAL LLC, an urban renewal entity formed and qualified to do business under the provisions of the Long Term Tax Exemption Law of 1992, as amended and supplemented, N.J.S.A. 40A:20-1 et seq. (the "Long Term Tax Exemption Law"), having its principal office at c/o KRE Group, 520 US Highway 22, P.O. Box 6872, Bridgewater, New Jersey 08807 (the "JS III LLC").

WITNESSETH:

WHEREAS, JSA owns certain real property designated as Block 9501, Lots 4 through 8, inclusive, and 10 through 16, inclusive, as shown on the official current tax map of the City of Jersey City, New Jersey ("City"), more commonly known by the street addresses of 595-621 Pavonia Avenue, 535-539 Summit Avenue and 136 Magnolia Avenue, and more particularly described by the metes and bounds description set forth as Exhibit 1 to this Agreement (the "Property"); and

WHEREAS, JSA is the sole member of each of JS III LLC, Journal Square I Urban Renewal LLC ("JS I LLC"), and Journal Square II Urban Renewal LLC ("JS II LLC"); and

WHEREAS, JSA will record a Master Deed (the "Master Deed") to submit all of the Property to the condominium form of ownership and incorporate the same as part of a condominium regime under the New Jersey Condominium Act, N.J.S.A. 46:8B-1 et seq., to be known as "Journal Squared Condominium", consisting of three (3) master condominium units to be developed in three (3) phases; and

WHEREAS, JS I LLC will be the owner of master condominium unit 1 located on the Property, JS II LLC will be the owner of master condominium unit 2 located on the Property, and JS III LLC will be the owner of master condominium unit 3 located on the Property ("Master Condo Unit 3"); and

WHEREAS, JS I LLC plans to construct phase 1, which will consist of a 54-story building having approximately 540 market-rate residential rental units, approximately 4,000 square feet of leasing space and potential future commercial space, a parking garage containing approximately 153 parking spaces, and an interim surface parking lot having approximately 74 parking spaces, together with a pedestrian mall and public improvements and infrastructure related thereto (collectively, the "Phase I Project"), and JS I LLC will enter into a Financial Agreement with the City with respect to the Phase I Project ("Phase I Financial Agreement"); and

WHEREAS, JS II LLC plans to construct phase 2, which is expected to consist of a 70-story building having approximately 700 market-rate residential rental units, approximately 18,000 square feet of commercial space, and a parking garage containing approximately 522 parking spaces, together with public improvements and infrastructure related thereto ("Phase II Project"), and JS II LLC will enter into a Financial Agreement with the City with respect to the Phase II Project ("Phase II Financial Agreement"); and

WHEREAS, JS III LLC plans to construct phase 3, which is expected to consist of a 60-story building having approximately 600 market-rate residential rental units, approximately 14,000 square feet of commercial space, and a parking garage containing approximately 245 parking spaces, together with public improvements and infrastructure related thereto [Phase III Project], and JS III LLC will enter into a Financial Agreement with the City with respect to the Phase III Project ("Phase III Financial Agreement"); and

NOW, THEREFORE, in consideration of \$10, the mutual covenants herein contained, and for other good and valuable consideration, it is mutually covenanted and agreed as follows:

Section 1. Formation of JS III LLC. On January 2, 2013, JSA caused to be formed JS III LLC in accordance with the New Jersey Limited Liability Company Act. JSA represents and warrants that it is the sole member of JS III LLC, and is the sole owner of the Property.

Section 2. Conveyance to JS III LLC. Promptly following the recordation of the Master Deed, JSA shall convey to JS III LLC a Bargain and Sale Deed to Master Condo Unit 3 (the "Deed"), together with such customary Affidavits of Title as may be reasonably required and are reasonably acceptable to JS III LLC, and JS III LLC shall accept the Deed.

Section 3. Representations and Warranties. As of the date hereof, each party represents and warrants to the other the following:

3.1 Existence and Capacity. It is duly organized and validly existing in good standing under the laws of the State of New Jersey, and has the requisite power and authority to enter into this Agreement, to perform its obligations hereunder, and to conduct its business as now being conducted.

3.2 Binding Agreement. This Agreement constitutes the valid and legally binding obligations of such party, enforceable against it in accordance with the respective terms hereof.

3.3 Application for Tax Exemption. The parties shall cooperate in the submission and prosecution of an application for a property tax abatement for the Phase III Project. JS III LLC shall be expressly permitted to rely upon the covenants herein in submitting such application and executing the Phase III Financial Agreement in connection therewith, and developing the Phase III Project.

IN WITNESS WHEREOF, the parties have caused these presents to be executed the day and year first above written.

WITNESS:

JOURNAL SQUARE ASSOCIATES LLC
By: Journal Square Corp., its Manager

Linda A. McKay

Murray Kushner
By: Murray Kushner, President

WITNESS:

JOURNAL SQUARE III URBAN RENEWAL LLC
By: Journal Square Associates LLC, its sole Member
By: Journal Square Corp., its Manager

Linda A. McKay

Murray Kushner
By: Murray Kushner, President