

Bond Case Briefs

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N.J. Approves \$800 Million Bond Plan to Complete Mega Mall.

New Jersey's Local Finance Board approved a plan to use an out-of-state lending agency that specializes in risky securities to finance an \$800 million bond sale to resurrect American Dream, the unfinished mega mall begun more than a decade ago.

The project in East Rutherford, about 10 miles (16 kilometers) west of Manhattan, has failed to fulfill several promised grand-opening dates as developers ran out of cash. It now anticipates opening in mid-2018.

The latest idea calls for public financing of \$125 million more than the mall's latest owner, Triple Five Group of Canada, proposed in May. The bonds would be sold by the New Jersey Sports and Exposition Authority to the Wisconsin Public Finance Authority, according to agency documents. The Wisconsin pass-through operation charges a fee to market tax-exempt bonds for out-of-state entities.

Higher Costs

Triple Five expects the debt to be unrated and tax-exempt, and the offering made in September, according to Tony Armlin, vice president of development and construction. The deal swelled to \$800 million, he said, because issuance and construction costs have increased.

"We've been working with Wisconsin for several years," Armlin told reporters after Wednesday's finance-board meeting in Trenton. He called it an "efficient, economical" issuer.

An agreement earlier this year had made the borough of East Rutherford the issuer of the so-called redevelopment-area bonds, a decision that is expected to be rescinded, according to Emike Omogbai, a spokeswoman for the Local Finance Board.

"The new sale structure of the RABs does further insulate the borough and the state, since neither will be involved in the public issuance and sale," Omogbai said in an e-mail.

Taxpayers Uneasy

East Rutherford Mayor James Cassella said homeowners had been uneasy with the notion of issuing hundreds of millions of dollars in debt. The borough has fewer than 10,000 residents and an annual budget of about \$26 million. The sports authority, he said, was the more logical issuer, because it owns the land on which the mall is built.

Scott Carper, a program manager for the Wisconsin issuer, said the agency received details of the New Jersey deal from Triple Five on Tuesday.

"Staff is currently processing the application and in the process of receiving all of the application materials," he said in an e-mail.

The agency has had no contact with the New Jersey Sports and Exposition Authority, Carper said. That panel also must approve the bond issue.

Repayment Risk

Agencies like the Wisconsin entity sell securities and immediately lend the proceeds to borrowers whose projects qualify for federal tax exemptions for public works. The authorities aren't on the hook if the money isn't repaid. That makes the bonds among the riskiest in the municipal market: They make up as much as 30 percent of outstanding debt but account for almost 60 percent of defaults, according to Matt Fabian, a partner at Concord, Massachusetts-based Municipal Market Analytics.

The Wisconsin authority has had no payment defaults. Last year, when it was the most active conduit issuer in the U.S., more than half its issues were unrated, according to data compiled by Bloomberg.

"The Public Finance Authority can issue bonds in all 50 States and has assisted many eligible borrowers nationally to access tax exempt financing," Carper said. "PFA partners with local governments to assist in the financing of public benefit projects that create temporary and permanent jobs, affordable housing, community infrastructure and improve the overall quality of life in local communities."

A bond summary prepared by Goldman Sachs Group Inc., the underwriter, shows that total debt service would be \$1.9 billion assuming a 2049 maturity, according to the application. Average annual debt service would be \$59.3 million until August 2049, with \$615.9 million due then.

American Dream's multicolored exterior, with an indoor ski slope jutting above East Rutherford's swampy meadowlands, is a garish landmark along the New Jersey Turnpike. Republican Governor Chris Christie called it "the ugliest damn building in New Jersey, and maybe America."

Triple Five, based in Edmonton, Alberta, owns the Mall of America, ranked by Time magazine as the most-attended U.S. attraction with 40 million annual visitors. The New Jersey mall's construction costs have reached almost \$5 billion to include a theme park, the first U.S. indoor ski slope, retail and restaurants.

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