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Janney Set to Be Ousted From Stalled N.J. Water Park Muni Deal.

- **Developer seeks to draw families to East Coast gambling hub**
- **Debt sale pushed back as underwriter pitched deal to buyers**

Janney Montgomery Scott LLC is set to be ousted as the underwriter of \$95 million of municipal bonds that will finance the construction of an indoor water park in Atlantic City, New Jersey, after the sale failed to close as planned.

Developer Bart Blatstein said in an interview Monday that he would like to hire Citigroup Inc., which he termed “better equipped to handle such a large and unique transaction.” The bonds would be issued through the Atlantic County Improvement Authority, which would have to approve the new appointment.

Such a change in underwriters after a deal has already been set to price is rare in the municipal bond market, where recently even the riskiest securities have easily found buyers as cash pours into high-yield funds. The Atlantic City bonds were initially set to be sold in late May but were shifted to so-called day-to-day status, a step underwriters take when they need more time to drum up buyers.

“Investor demand has not been as robust as hoped,” Jeffrey Winitsky, a lawyer at Parker McCay, the developer’s counsel, wrote in an email on Wednesday. He said the deal was pulled with the expectation that a new underwriter would be hired to “give the transaction a fresh perspective and marketing effort.”

Citigroup is the municipal market’s second-largest underwriter and, like other big Wall Street banks, has a broad national reach. The Philadelphia-based Janney is a regional investment bank ranked 31 this year, underwriting a fraction of what Citigroup has, according to data compiled by Bloomberg.

The project marks a wager by the Philadelphia developer that more families can be lured to the struggling gambling city, which has seen its one-time monopoly on gambling in the East Coast steadily erode as other states legalized casinos. That forced several to shut down in Atlantic City and drove New Jersey to rescue the city from bankruptcy in 2016.

But Blatstein said he’s optimistic about the city’s prospects. “I’m incredibly bullish on Atlantic City,” he said, adding that he expected to buy \$10 million of the new bonds.

Citi spokesperson Scott Helfman said via email that the bank had no comment. Janney spokesperson Bradd DelMuto also said via email that the bank had no comment.

The original deal for the 100,000-square foot “Island Water Park” was unrated and being offered only to accredited investors and qualified institutional buyers capable of bearing the risk, according to the preliminary offering memorandum dated May 18 and posted on the MuniOS website. The bonds will be repaid with revenue from the park’s operations.

The theme park will include a looping “lazy river,” multiple water slides, three pools and five bars, including a swim-up bar and a two-level treehouse bar. The feasibility study attached to the original deal, by William L. Haralson & Associates, projected attendance at 626,523 in its first year of operation, rising to 773,523 in year five. Admission would range from \$99.99 for adults to \$69.99 for children, and there would be off-peak rates and hotel package discounts. The park was expected to be ready by May 31, 2022.

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