

# Bond Case Briefs

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## New Jersey Hasn't Cleared American Dream Mall Grant as Debt Payment Looms.

- **State grants back \$290 million of American Dream muni bonds**
- **Mall has \$9.3 million payment due Aug. 1, but \$820 in reserve**

Three weeks before the American Dream super-mall is due to pay debt backed by New Jersey economic development grants, the state hasn't approved a key document needed to release the cash, raising the risk bondholders won't get their money.

The 3.5 million-square-foot shopping and entertainment complex in the Meadowlands has about \$820 left in a reserve account, and is scheduled to make a \$9.3 million payment on the bonds due Aug. 1, according to a bond filing. The \$290 million of municipal-bond obligations are backed by state economic development grants based on sales-tax collections.

However, before American Dream can get any aid to make debt payments, the state's Economic Development Authority must approve documents certifying project expenditures by the developer, Triple Five Group. EDA hasn't yet approved the cost statement, according to Virginia Pellerin, an agency spokeswoman. The countdown to the debt payment comes about six months after American Dream drew criticism from the bond servicer, which said in January that the mall had yet to file the paperwork.

New Jersey's \$50.6 billion budget for the fiscal year that began July 1 allocated about \$87 million for the Economic Redevelopment and Growth Grant program. Pellerin didn't say why American Dream's cost statement hadn't received approval, or whether any of the grant money appropriated in the budget was earmarked for the mall.

Melissa Howard, a spokeswoman for American Dream, declined to comment. Nuveen LLC, the biggest holder of the bonds, with about \$108 million as of April 30, didn't respond to a request for comment.

American Dream, which features an indoor ski slope, amusement park and water park, qualified for the grants because its location is designated as an economic redevelopment area. The grants, for as much as 75% of incremental sales-tax revenue collected each year, are capped at \$390 million over a 20-year period.

Failure to make a payment on the so-called grant revenue bonds doesn't constitute a default nor require the borrower to pay back the loan immediately, according to bond documents. Bonds maturing in 2027 traded at about 91 cents on the dollar June 30, while debt maturing in 2031 traded at about 82.4 cents.

The mall, whose opening was delayed by the pandemic, reported about \$90 million in gross sales for the first quarter and \$305 million for 2021. Most clothing and footwear isn't taxable in New Jersey. American Dream hasn't reported the amount of sales tax collected at the mall, which features luxury stores including Saks Fifth Avenue and Hermes.

Bondholders have criticized American Dream for not filing the project-cost paperwork with the state sooner. American Dream hired an auditor to complete the cost statement in March 2021, but as of January hadn't submitted it to the state, according to a letter from bond servicer Trimont Real Estate Advisors.

"While everyone appreciates the difficulties posed by the pandemic, and the likelihood that grant revenue received now may not be sufficient to fully pay the bonds, that does not relieve the Developer from responsibility to comply with its obligations under the various agreements," Trimont said in the letter.

Remedies for the breach "range from specific performance to a special redemption of all the bonds," the letter said.

American Dream also has \$800 million of municipal bonds backed by fees that the mall's owner makes to bondholders instead of paying property taxes, known as payments in lieu of taxes. Last month, the trustee for the bonds had to draw on reserves to make a June 1 payment on the debt because American Dream failed to deposit money required to pay debtholders. Triple Five made the deposit two weeks later.

The mall also has \$1.7 billion in construction debt. Triple Five is seeking a four-year extension to repay the obligation, Bloomberg News reported in February.

## **Bloomberg Markets**

By Martin Z Braun

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