

Revel approved for \$261 million state tax reimbursement - Press of Atlantic City

Written by Administrator
Tuesday, 01 February 2011 17:18 -

TRENTON - New Jersey's economic development agency, citing the prospect of thousands of jobs and billions in future tax revenue, approved tax incentives Tuesday to help complete the financing for the half-finished Revel casino project.

The vote by the Economic Development Authority will give Revel Entertainment Group a \$261.4 million state tax

reimbursement over 20 years once the casino opens and begins generating tax revenue for the state.

"It is a reimbursement of taxes paid. It is not an upfront payment," said Caren S. Franzini, the EDA's chief executive officer.

In addition to the benefits to Revel, the tax reimbursement program will fund \$125 million in upgrades to the Boardwalk and other parts of the city that surround the casino site.

Among the improvements, Revel will rebuild the Boardwalk in front of the casino and replace the dilapidated Garden Pier. The company will also help to build roads and oceanfront parks and remove blighted buildings. It also plans to help the city find a new location for the Atlantic City Arts Center and Historic Society, now stuck on the Boardwalk side of the Garden Pier.

Revel's tax reimbursement of \$261.4 million is based on 20 percent of the remaining \$1.3 billion cost to finish the project. Reimbursements will come from the casino's sales, hotel and corporate taxes.

Franzini said safeguards will protect the state from any risks in the tax deal. Over the long haul, the state will reap an additional \$3.2 billion in new taxes once Revel opens for business, she added.

The state will have no ownership in the casino. However, it will receive a 20 percent cut of the profits that go to the casino's equity partners in an arrangement known as "success reimbursement payments," the EDA and Gov. Chris Christie's office said.

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The tax incentives are part of the EDA's Economic Redevelopment and Growth Grant program, which is designed to stimulate jobs and investment. Labor officials estimate Revel will generate 2,000 construction jobs and about 5,500 full-time positions in a city reeling from 11 percent unemployment overall.

"It will create an immediate opportunity to offset that 11 percent unemployment," said Richard E. Tolson, an EDA board member and director of the International Union of Bricklayers and Allied Craftworkers Administrative District Council of New Jersey.

A.J. Sabath, a spokesman for the New Jersey Building and Construction Trades Council, characterized the Revel project as a "huge shot of adrenalin in the South Jersey economy."

"We expect to have hammers swinging and shovels digging by next month," he told the EDA board members.

Sabath estimated the construction trades have suffered between 30 percent and 50 percent unemployment rates ever since the recession brought casino work to a virtual standstill.

Revel, which is expected to be completed and open by June 2012, is a centerpiece of the governor's plan to revive the Atlantic City economy. While the EDA board was meeting in Trenton to vote on Revel's tax reimbursement, Christie was in Atlantic City to sign legislation that eases New Jersey's casino regulations and creates a new state-run Tourism District in the resort town.

Christie said work on Revel is expected to resume next week. Revel is also expected to complete its private financing by next week, the governor noted.

"This will create thousands of jobs for working men," Christie said during a bill signing ceremony in Revel's atrium. "It will also give a boost of confidence to everyone in this city and region who believed this couldn't be done."

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The EDA tax deal comes as Revel is seeking \$1.15 billion in private financing to complete the \$2.8 billion casino project.

"It's obvious that it's very significant," Alan Greenstein, chief financial officer of Revel, said of the state's backing for the casino.

Revel is close to finalizing plans for two private loans of \$850 million and \$305 million, the EDA said. The funding package would replace Revel's most recent financing plan for three separate loans of \$700 million, \$295 million and \$150 million.

Revel Entertainment CEO Kevin DeSanctis said that final financing has not been secured yet, noting that he is optimistic. DeSanctis said he could know as early as Tuesday night whether Revel is fully financed, with closing possible by the end of the week.

Up to \$70 million in tax reimbursements will be used as security for the \$305 million loan, which includes the new ownership structure for Revel, Franzini said. DeSanctis is leading a \$30 million management buyout of Wall Street investment bank Morgan Stanley's majority ownership in the casino.

The EDA tax deal approved Tuesday is different from another funding plan that Revel sought last year. Previously, Revel had requested two tax reimbursements totaling \$300 million.

Franzini said no state funding is locked up in Revel's financing plan. She stressed that Revel is assuming all of the risk.

"We're not at risk for any financing that is done," she said of the state's involvement.

- Staff Writer Scott Cronick contributed to this report.

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Revel at a glance

- Revel receives \$261.4 million state tax reimbursement
- Tax reimbursement will help finance construction as well as \$125 million in upgrades to Boardwalk and other parts of city around the casino
- Revel still finalizing \$1.15 billion in private financing, which is expected this week
- Governor says construction may resume as early as next week
- Revel will generate 2,000 construction jobs, 5,500 eventual full-time positions
- Completion of the \$2.8 billion project expected June 2012

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