By ALEXANDRA BERZON

The Revel casino development in Atlantic City, N.J., is nearing completion of a deal for $1.15 billion in capital with help from the state that will allow the once-doomed project to be finished.

People familiar with the situation say

J.P. Morgan Chase & Co. has secured commitments for an $850 million private placement that comes with a first-lien claim on the 1,100-room resort, and $300 million in mezzanine financing that puts Revel on track to open in summer 2012. Completion of the financing deal is expected as soon as Friday, these people said.

The project's resurrection since December gives fresh hope to political leaders who have anguished about Atlantic City's loss of its monopoly on East Coast gambling. But some analysts and operators worry that resuming construction on Revel will cannibalize an already depressed gambling market.

Associated Press

Unfinished Revel casino in Atlantic City could get new life with a planned $1.15 billion in capital raising.

The infusion doesn't change the outcome for Morgan Stanley , which spearheaded the project and wrote down nearly its entire $1.2 billion investment. As part of the restructuring, the New York firm will cash out with a mere $30 million. The project's new owners are a group led by Kevin DeSanctis, a former casino executive hired by Morgan Stanley to develop the Revel.

A behind-the-scenes look at the deal shows that Revel and J.P. Morgan got help from New Jersey Gov. Chris Christie, construction unions with pension funds that are investing in the mezzanine debt and other investors who were determined to rescue Revel from its white-elephant status.

Mr. Christie offered tax rebates worth $261 million over 20 years and pressed the case for Mr. DeSanctis's group to Morgan Stanley, concerned a competing bidder might take longer to develop the casino, according to two people familiar with the situation.

The financing also benefits from a loosening of capital markets. As recently as December, when the deadline for an exclusive negotiation with Morgan Stanley expired without a deal, the effort to find new financing appeared headed for failure, according to people involved in the discussions.

"It's amazing," says Dennis Farrell, an analyst at Wells Fargo Securities. "Even Revel can get money."

The fund raising could still bog down. Some analysts say the Revel loan is highly risky because it depends on expanding Atlantic City beyond casino gambling into group meetings and resort vacationers. The financing also depends on the resort earning nearly the same amount as Borgata, the city's newest and most successful casino, with more than twice as many hotel rooms as are planned for Revel.

The Revel project sits on the downtrodden outskirts of the city's boardwalk casino district, amid abandoned homes. When Revel was first planned, it was one of several giant new resorts envisioned for Atlantic City.

Only the Morgan Stanley deal went forward, with the company assembling parcels of land for $70 million that executives figured could be sold at a profit. When no buyers emerged, the bank hired Mr. DeSanctis, a former executive at Penn National Gaming Inc., a Wyomissing, Pa., operator of casinos and horse-racing tracks.

Mr. DeSanctis planned a 1,900-room resort with 19 restaurants. Morgan Stanley poured in $1.1 billion. Mr. DeSanctis got a nonbinding commitment from a Chinese bank for an additional $1 billion, in exchange for using a Chinese construction company and Chinese materials. He also negotiated a state-tax break.

Last spring, though, Morgan Stanley came under fire for the plan to use the tax credits to help finance the project. The casino market also was suffering.

James Gorman , the firm's new chief executive, decided to pull the plug, causing the

Chinese financing deal to fall through. While Morgan Stanley searched for a buyer, Mr. DeSanctis turned to J.P. Morgan to help raise money to finance his own bid.

J.P. Morgan bankers marketed the project by bringing in busloads of investors to see the hulking glass structure. Bankers told investors they would essentially be getting Revel for free, since Morgan Stanley was writing down most of its investment.

The odds looked steep until December revenue numbers for the Borgata showed some improvement in slot machines. Mr. DeSanctis also agreed to downscale to 1,100 rooms from 1,900.

In January, Mr. Christie opened New Jersey's wallet. The late addition of $70 million in cash collateral for the mezzanine loan from the state—a portion of the $261 million state tax rebate package—was a crucial factor that got the deal over the hill, people involved in the process say.

The state aid had been controversial, especially among political conservatives and a union of casino workers who worry completion of Revel will force other Atlantic City casinos to close. A conservative group, Americans for Prosperity, has already filed an ethics complaint. Mr. Christie, a Republican who built a reputation on spending cuts, believes such incentives are necessary for retaining businesses.

Terms of the deal call for Mr. DeSanctis to own a 10% stake in the Revel project. Buyers of the $300 million of mezzanine debt will be able to convert their stake into a 90% ownership position while the lenders of the $850 million loan will have a lien on the property.

—Lisa Fleisher
contributed to this article.

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