

Acquisition of State Office Buildings

Up until 1999, all of the Building Authority's financing activities involved the construction, renovation and restoration of various office buildings, historical structures and correctional facilities. In late 1999, the Building Authority financed the acquisition of an existing building, the Richard J. Hughes Justice Complex.

Richard J. Hughes Justice Complex

Project Cost: \$80,682,136

On January 1, 1978, the State of New Jersey and the Mercer County Improvement Authority (MCIA) entered into a lease agreement for the Richard J. Hughes Justice Complex to be constructed in Trenton, pursuant to which the State was responsible for the planning, construction, installation and maintenance of the complex. The Justice Complex consists of an eight-story L-shaped office building, a four-story Supreme Court structure and a two-story below-grade parking garage. The combined gross building space is approximately one million square feet.

The cost of acquisition and construction of the complex was financed through the issuance of bonds by the MCIA consisting of \$50 million State Justice Complex Revenue Bonds, 1978 Series A, \$60.2 million State Justice Complex Revenue Bonds, 1979 Series A, and \$2.175 million State Justice Complex Revenue Bonds, 1985 Series A. The MCIA Bonds were defeased to maturity with proceeds from the secondary offering of the Custody Receipts. Pursuant to the MCIA Lease, the State paid the MCIA an amount of rent equal to the sum of (1) the debt service on the Custody Receipts outstanding; (2) payments in lieu of taxes due to the City of



Richard J. Hughes Justice Complex, continued

Trenton; and (3) the administrative fees and expenses of the MCIA, the Custodian and the MCIA Lease Trustee. The State's payment obligations under the MCIA Lease were subject to, and dependent upon, appropriations being made by the State Legislature, from time to time, for such purpose. During the term of the MCIA Lease, the State was responsible for, and paid all costs of, operating the Justice Complex and making all necessary repairs and replacements to the Justice Complex.

Pursuant to the MCIA Lease, the State had the option to purchase the Justice Complex by depositing with the Custodian an amount sufficient to pay the remaining principal component and accrued interest component of Basic Rent under the MCIA Lease, together with any other amounts then due and owing under the MCIA Lease, if any. On October 1, 1999, the Building Authority issued \$134.9 million of New Jersey Building Authority Revenue Bonds, 1999 Series. From the proceeds, \$80.7 million was used to acquire the Richard J. Hughes Justice Complex.

Upon defeasance of the Custody Receipts, the MCIA Lease was terminated and the MCIA conveyed the Justice Complex to the State which then ground leased it to the Authority pursuant to an amendment to the Ground Lease.