



## Fact Sheet: Report of the Governor's Advisory Commission on New Jersey Gaming, Sports and Entertainment

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On February 3, 2010, Governor Chris Christie issued Executive Order 11 creating the New Jersey Gaming, Sports and Entertainment Advisory Commission, to provide recommendations to comprehensively address the unprecedented financial and structural challenges confronting New Jersey's gaming, professional sports and entertainment industries.

Additionally, during the time-period in which it discharged its duties, the Commission recommended policy changes and provided input to the Governor on an ongoing, real-time basis.

### AREAS OF FOCUS

Specifically, the Commission focused its work on five key issues confronting New Jersey's gaming, professional sports, and entertainment industries:

- The New Jersey Sports and Exposition Authority (the "NJSEA");
- The stalled Xanadu project in the Meadowlands;
- The gaming industry in Atlantic City;
- New Jersey's horse racing industry;
- The relationship among New Jersey's major entertainment venues;

The Commission was also charged with addressing such other matters as referred to the Advisory Commission by the Governor.

### KEY ISSUE-AREA RECOMMENDATIONS

#### The Ongoing Viability of the Sports and Exposition Authority - Reform for Fiscal Solvency and Viability

- NJSEA must be encouraged to create and maintain a break-even budget.
  - Current cash reserves of the NJSEA (currently in excess of \$50 million) should be used to offset operating expenses.
  - If necessary, the State Treasurer should be authorized to provide a revolving credit facility of no more than \$15 million to assist in cash flow needs.
  - A 2011 budget should be developed by September 1, 2010 that is break even or better.
- Planning should begin immediately to divest the NJSEA of all responsibilities related to venue operations, including, in particular, the Meadowlands Racetrack, the IZOD Arena and Monmouth Park Racetrack. This action can be accomplished either by sale, lease or license agreement initiated by a request for proposals.
- The proposed Bayonne OTW (off-track wagering) project should be postponed until legislation can be passed that permits OTWs to function without live racing.
- The NJSEA should cease to operate the Meadowlands Racetrack. Standardbred owners should be offered the opportunity to lease the Meadowlands Racetrack.

#### Bringing Resolution to the Stalled Xanadu Project - Offering Targeted State Assistance

Given its location and redesign, with the proper sponsorship the Commission believes the Meadowlands entertainment and retail complex can succeed if completed.

Given the potential benefits to the State associated with completing the project, including temporary and permanent job creation, various streams of tax revenue, and increased cash flow to NJSEA, the Commission concludes that the State should cooperate in attempts to bring the project to completion.

This offer of State cooperation and support should be very carefully dispersed and should follow certain basic principles as follows:

- Any tax exempt financing should not represent a primary funding source but should only fill a funding gap in private market sources.
- The development group should contribute cash equity consistent with present market demands.
- The underlying ground lease should be amended to include, among other things, a date certain for completion and opening, with appropriate penalties for failure to comply.
- The development group must resolve and reset the existing capital structure in a way that facilitates new financing.
- If the project can only be completed with tax exempt financing, the State must be able to reasonably expect to receive some form of upside financial return commensurate with the level of public sector involvement.

Further, should the project not move ahead in a manner that meets the guidelines outlined above, the Commission recommends that the State, through NJSEA, move quickly and aggressively to pursue all rights and remedies available to the State, including possible foreclosure and damages.

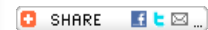
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## **Improving the Competitiveness of the Gaming Industry - A Comprehensive Approach and Commitment to Atlantic City**

Casino gaming represents one of New Jersey's largest industries, accounting for nearly \$1 billion in state and local taxes (state taxes are constitutionally dedicated to programs for seniors and the disabled) and more than \$2 billion in revenues spread across more than 2,000 businesses.

However, since 2007, the industry has been in serious decline, losing more than 25% of its gross revenue base (equating to \$1 billion in lost revenues). Employment has slipped from 50,000 jobs to 38,000 and all other market indicators are trending negatively. While there can be agreement that it is in the interest of the State to encourage growth in the Atlantic City-based gaming industry, it is clear to the Commission that immediate attention must be directed at stabilizing the industry before efforts can be made to improve it.

The Commission recommends an economic framework that focuses on job creation, capital investment, regulatory reform and increased tax revenues. These goals include:

- Creating a "Clean and Safe" Tourism District with State oversight, with the goal of making Atlantic City clean and safe by July 1, 2011.
- Creating a Master Plan for the new Tourism District, focused on enticing new entrants to build both gaming and non-gaming attractions that will increase demand in the City. The Plan should be delivered to the Governor no later than July 1, 2011.
- Improving the financial stability of Atlantic City by attracting other world class operators to ownership of the eleven existing facilities as well as any new ones.
- Increasing the meeting and convention business in the Atlantic City market by at least 30% per year for the next five years.
- Bringing the New Jersey regulatory structure into the 21st century by reducing costs and redundancies and by supporting the attraction of operators while maintaining strict integrity.
- Increasing visitation and spending through joint marketing efforts on par with other national destination resorts.
- Improving intermodal transport to Atlantic City, including increasing air, rail and ferry options.

## **Creation of a Sustainable Industry Structure to Preserve Live Horseracing - Reinvigorating Horseracing in New Jersey**

In an effort to stabilize New Jersey's ailing horseracing industry, the Commission recommends immediate implementation of an experimental short term plan in 2010 to reinvigorate the sport. The plan calls for the elimination of the thoroughbred meet at the Meadowlands and the creation of a 50-day summer meet with a \$1 million a day purse at Monmouth Park (the "50-day meet").

A 21-day weekend fall meet is also planned at Monmouth to supplement the 6 days of turf racing at Atlantic City Race Course. These changes were legislatively approved and signed into law by Governor Christie in May. A number of future potential options include:

- Thoroughbred racing at Monmouth and Atlantic City (a 50-71-day meet at Monmouth Park and potentially 10 days of turf racing at Atlantic City).
- Thoroughbred Racing at Monmouth and potentially 10 days at Atlantic City and 70 standard bred dates at Monmouth.
- Lease the Meadowlands Racetrack to the standard bred horsemen for \$1 dollar a year for three years with early termination rights and an equity-based share of the Bayonne OTW parlor.
- Convert to a commercial use one of the standard bred farms in New Jersey that has a mile track, and build a 5,000 seat grandstand complete with all necessary amenities.

## **Improving Cooperation and Coordination Among New Jersey's Major Entertainment Venues**

The Commission recommends the development of an integrated and cooperative policy among the four State-influenced venues (IZOD Center, PNC Center, Historic Atlantic City Convention Center and Rutgers Stadium) in addition to major entertainment or sports events held at the Prudential Center, Symphony Hall and the Meadowlands football stadium to ensure that competition among them is mutually beneficial and not counterproductive to their financial success.

Other recommendations include:

- Testing the market for interest in privatizing operations of the IZOD Center and the PNC Arts Center by issuing a request for proposals.
- Establishing a single point of contact for booking concerts and other events at the taxpayer-supported facilities.
- Formalizing and developing a plan for improving communications among the IZOD Center, the PNC Arts Center, the Prudential Center, the Rutgers Arena and Stadium and the Atlantic City Boardwalk and Convention Center.

## **SPORTS & GAMING ISSUES ADDRESSED IN "REAL-TIME"**

### **New Jersey Nets' Lease at the IZOD Center**

Immediately following its creation, the Advisory Commission engaged the Nets in negotiations to resolve the IZOD lease matter. These negotiations produced satisfactory results for all concerned and resulted in an agreement announced on February 18, 2010.

The agreement authorized the Nets to break their lease with the IZOD Center and play the next two NBA seasons at the Prudential Center in Newark. The Nets agreed to pay the Sports and Exposition Authority \$4 million over the next two years as an early termination fee. Under the terms, the termination fee may be off-set by various credits including: up to \$250,000 each year for the guarantee of proceeds to benefit the Newark Symphony Hall; up to \$100,000 each year for the leasing of two Prudential Center suites to the Sports and Exposition Authority, one during Nets games and one during general events; and, up to \$100,000 each year in advertising credits. Additionally, the Nets agreed to amend their territorial rights and allow another NBA franchise in the state of New Jersey.

## 2010 Monmouth Park Racing Season: \$50 million in Purses for Fifty Days

The 2010 plan calls for the elimination of the thoroughbred meet at the Meadowlands and the creation of a 50-day summer meet with a \$1 million a day purse at Monmouth Park (the "50-day meet"). The Commission believes that this new arrangement will result in higher quality horses and major stables being attracted with the result of higher attendance. A 21-day weekend fall meet is also planned at Monmouth to supplement the 6 days of turf racing at Atlantic City Race Course.

Legislation approving these changes, including the number of thoroughbred racing days at the Meadowlands, has passed the legislature and was signed into law by Governor Christie in time for the May opening of the 2010 thoroughbred meet.

### Press Contact:

Michael Drewniak  
609-777-2600



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Office of the Governor  
PO Box 001  
Trenton, NJ 08625  
609-292-6000

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