NEW JERSEY REDEVELOPMENT AUTHORITY

2006 ANNUAL REPORT

Celebrating

10 Years

of Creative Community Investments
# Table of Contents

1  
Mission Statement

2  
A Message From  
Governor Jon. S. Corzine

3  
A Message From  
Commissioner Susan Bass Levin

4  
A Message From  
Executive Director Leslie A. Anderson

5  
Introduction

6  
About NJRA - NJRA Resources

7  
Eligible Municipalities

8  
Celebrating 10 Years of  
Creative Community Investments

10  
2006 At-A-Glance

13  
NJRA Investments

15  
NJRA Board of Directors
MISSION STATEMENT

To provide a unique approach to revitalization efforts in New Jersey’s cities.

To develop programs and resources to improve the quality of life by creating value in urban communities.
Dear Friends,

New Jersey is a remarkable place to live and work, and its cities are an important part of its character.

In 2006, I unveiled an Economic Growth Strategy that identified ways to create new economic opportunities across the state. This Economic Growth Strategy identifies the state’s six priorities for growth, one of which takes a close look at New Jersey’s cities and how we can support sustainable economic growth in urban areas while protecting our natural resources.

A recognized leader in urban redevelopment, the New Jersey Redevelopment Authority is uniquely positioned to support economic growth in the context of urban revitalization. NJRA has made a tremendous impact in urban neighborhoods across the state over the last 10 years. It will now have the ability to do more with the assistance of a new initiative called the New Jersey Urban Fund, which is designed to encourage economic growth through business creation and expansion and the continued revitalization of New Jersey’s distressed urban areas.

New Jersey is committed to stimulating investment in our urban communities by providing businesses and community development organizations with the financial and technical tools they need to grow and revitalize neighborhoods. Together - with input from agencies like the New Jersey Redevelopment Authority - we will continue to grow, revitalize and invest in New Jersey’s urban communities.

With regards,

Jon S. Corzine
Governor
Greetings from Commissioner Susan Bass Levin

Dear Friends,

The New Jersey Redevelopment Authority has made tremendous strides over the last 10 years.

As part of the DCA Family, the New Jersey Redevelopment Authority provides financial and technical resources to help cities make a difference in their communities. With NJRA’s support, we have seen many cities create viable neighborhoods with a mix of market-rate and affordable housing, quality retail services and community facilities for residents and visitors.

In 2006, the NJRA spurred several new redevelopment initiatives throughout the state. Thanks to NJRA’s assistance, Paterson is now home to a new company that resides in its Urban Enterprise Zone. In Jersey City, the Martin Luther King Redevelopment Area will feature affordable rental units that fit the “green building” model. A mixed-use town center will increase Irvington’s tax base, creating access to new employment and providing affordable home ownership and rental opportunities. Further south, upon completion the Trenton Town Center will provide new residential condos and rental apartments, commercial space, street-level retail opportunities and parking for residents and visitors. But there is still more work ahead of us.

I am pleased that New Jersey offers the necessary tools to carry out comprehensive redevelopment. Working closely with Governor Corzine, I look forward to meeting his goals to stimulate comprehensive economic growth in New Jersey’s cities.

Very truly yours,

Susan Bass Levin
Commissioner Susan Bass Levin
Chair
Dear Friends,

I take great pleasure in recognizing the 10 Year Anniversary of the New Jersey Redevelopment Authority (NJRA). In 1997, NJRA opened its doors with an initial appropriation of $9 million and has subsequently grown to function with an annual budget of more than $56 million. Since the beginning, we have seen many changes in the face of New Jersey’s urban landscape. NJRA has remained steadfast, never wavering in our commitment to provide the best service to New Jersey’s cities.

Our mission to provide a unique approach to revitalization efforts in cities has never changed. In fact, as urban experts, our commitment has grown stronger. Municipalities, developers, businesses and community development organizations, to name a few, can attest to the dedication of NJRA and the quality level of tools for redevelopment that we are able to provide.

Each project presented to NJRA’s Board of Directors represents a city’s revitalization, project by project, to create better neighborhoods and better communities.

Our latest initiative, the NJRA Redevelopment Training Institute (NJRA RTI), offers classroom instruction to those undertaking redevelopment efforts in New Jersey. The RTI outlines the nuances of the Redevelopment Planning Process in New Jersey, focuses on the Real Estate Development process and unlocks the key to understanding Real Estate Finance. We know that NJRA RTI will further cultivate redevelopment practitioners throughout the state.

The next 10 years for NJRA are promising. The staff and Board are dedicated to Governor Corzine’s strategies for economic growth in New Jersey. NJRA will continue to provide the necessary tools to stimulate urban redevelopment, which will result in an improved quality of life for all New Jersey.

With regards,

Leslie A. Anderson
Executive Director
Over the last 10 years,

the New Jersey Redevelopment Authority has worked diligently to improve the quality of life in New Jersey’s cities. Having proven ourselves as urban experts that provide critical financial and technical resources for redevelopment, NJRA has positioned itself as an industry leader.

To date, NJRA has committed to invest more than $315 million, leveraging more than $2.6 billion in total project costs. These investments, coupled with the commitment of the Authority, demonstrate our impact throughout the state.

By building partnerships focused on a city’s redevelopment success, NJRA makes a difference in the urban communities in which we work, live and raise our families.

We have experienced a wave of success in our first 10 years, but there is still a great deal of work to be done. We will work to ensure that our urban areas become destination places. With the ongoing participation of our partners in both the private and public sectors, we will continue to develop programs and resources that create value for all of New Jersey.

New Jersey’s cities are the building blocks that contribute to the larger state as a whole. Their future requires that redevelopment, which impacts whole communities, becomes the basis for sustainable growth and revitalization. This can only happen with a true partnership that ensures that the community is a part of the process. NJRA has the resources and technical expertise to ensure this will happen.
ABOUT NJRA

The New Jersey Redevelopment Authority (NJRA) is an independent state financing Authority whose mission is to provide a unique approach to revitalization efforts in New Jersey’s cities. NJRA develops programs and resources to improve the quality of life by creating value in urban communities. Committed to revitalizing urban New Jersey, NJRA partners with community-based organizations, municipalities, developers, nonprofit and for-profit groups as well as businesses to leverage its resources for redevelopment projects in 69 eligible municipalities throughout New Jersey. NJRA provides customized project financing for urban redevelopment initiatives. These resources, critical to the redevelopment process, are offered in the form of loans, loan guarantees, bond financing and equity investments. NJRA’s resources remain flexible and responsive to ensure successful redevelopment throughout New Jersey.

AUTHORITY RESOURCES

**NJRA Pre-Development Fund (“NJRA PDF”)**
The NJRA PDF is a $2.5 million financing pool that provides funding to cover various predevelopment activities, including feasibility studies, architectural costs, environmental and engineering studies, legal and other related soft costs for development to occur. This program offers the flexibility to structure financing at the early stages of development. The NJRA PDF increases the availability of funding for community economic development projects within NJRA’s eligible municipalities.

**New Jersey Urban Site Acquisition Program (“NJUSA”)**
The NJUSA Program is a $20 million revolving loan fund that facilitates the acquisition, site preparation and redevelopment of properties, which are components of an urban redevelopment plan in NJRA-eligible communities. Acting as a catalyst to jump-start urban revitalization efforts, the NJUSA Program provides for-profit and nonprofit developers and municipalities with a form of bridge financing to acquire title to property and for other acquisition-related costs.

**NJRA Bond Program**
NJRA issues bonds at attractive interest rates to a broad range of qualified businesses and nonprofit organizations. NJRA has the ability to issue both taxable and tax-exempt bonds to stimulate revitalization in New Jersey’s urban areas.

**New Jersey Redevelopment Investment Fund (“RIF”)**
NJRA manages this flexible investment fund that provides debt and equity financing for business and real estate ventures. Through the RIF Program, NJRA is able to offer direct loans, real estate equity, loan guarantees and other forms of credit enhancements.

**NJRA Environmental Equity Program (“E2P”)**
NJRA established the Environmental Equity Program (E2P) to advance brownfields efforts by providing up-front capital to assist with the predevelopment stages of brownfields redevelopment projects. E2P funds assist with site acquisition, remediation, planning, and demolition costs associated with brownfields redevelopment projects.

**Working in Newark’s Neighborhoods (“WINN”)**
Working in Newark’s Neighborhoods (WINN) is the first subsidiary corporation created by NJRA. This $10 million revolving loan program focuses on redevelopment efforts in the City of Newark’s neighborhoods. Funds from WINN can be used for commercial and mixed-use projects directly related to comprehensive redevelopment initiatives including: pre-development, site preparation, acquisition, demolition, permanent financing, loan guarantees and construction financing.

**NJRA Redevelopment Training Institute (NJRA RTI)**
Launched in October 2006, the NJRA Redevelopment Training Institute (NJRA RTI) offers intensive intermediate training modules that focus on the redevelopment of New Jersey’s communities. The NJRA RTI is designed to provide nonprofit and for-profit developers, professional consultants, entrepreneurs and city/county staff with a body of knowledge of the redevelopment and real estate development process. The goal of the NJRA RTI is to provide classroom instruction resulting in enhanced knowledge of New Jersey’s redevelopment process and project financing.
Celebrating 10 Years of Creative Community Investments

1996
New Jersey Urban Redevelopment Act is passed by the State Legislature, establishing the New Jersey Redevelopment Authority with an appropriation of $9 million.

1997
In March, NJRA becomes fully operational, committing $12.9 million in projects, leveraging $70.1 million in total development costs.

1998
NJRA is tapped as manager of the New Jersey Urban Site Acquisition Program, which provides $25 million for revolving loans.

1999
To raise additional capital, NJRA sells a portion of its inherited loan portfolio, generating $8.1 million for project financing.

2000
NJRA is selected as the lead agency for the implementation of the state's $15 million Brownfields Redevelopment Initiative.

2001
NJRA creates the Lending Services Division, which to date manages a loan portfolio in excess of $24 million.

2002
NJRA committed $89,566,736 towards smart growth investments leveraging $1,331,692,327.

2003
NJRA creates the New Jersey Predevelopment Fund, providing capital for predevelopment activities. This fund fills funding gaps to jump-start smart growth redevelopment projects.

2004
Working in Newark’s Neighborhoods, a subsidiary corporation of NJRA, was created to invest funds in redevelopment projects in the city of Newark’s neighborhoods.

2005
NJRA created the Environmental Equity Fund (E^2P) to provide up-front capital for brownfields redevelopment projects.

2006
NJRA launches the Redevelopment Training Institute (NJRA RTI). The NJRA RTI offers intensive intermediate training modules that will focus on the redevelopment of New Jersey’s communities. The NJRA RTI has been designed to provide nonprofit and for-profit developers, professional consultants, entrepreneurs and city/county staff with a body of knowledge of the redevelopment and real estate development process.

To date, NJRA has committed to invest more than $315 million in New Jersey’s urban communities, leveraging more than $2.6 billion in total project costs.
Celebrating 10 Years of Creative Community Investments

The Senate of New Jersey is pleased to salute and congratulate the New Jersey Redevelopment Authority, an esteemed agency in the Garden State, in recognition of its Tenth Anniversary; and,

Whereas, Since 1997, the New Jersey Redevelopment Authority has provided a unique approach to revitalization efforts in New Jersey’s cities through outstanding programs and resources to improve the quality of life by creating value in urban communities; and,

Whereas, The New Jersey Redevelopment Authority makes significant contributions by partnering with community-based organizations, municipalities, developers, nonprofit and for-profit groups, and businesses to leverage its resources for redevelopment projects in sixty-nine eligible municipalities throughout this State; and,

Whereas, The New Jersey Redevelopment Authority offers a number of exemplary programs and services in its commitment to revitalizing urban New Jersey, including the N.J.R.A. Pre-Development Fund, the New Jersey Urban Site Acquisition Program, the N.J.R.A. Bond Program, the New Jersey Redevelopment Investment Fund, the Environmental Equity Program, Working in Newark’s Neighborhoods, and the Redevelopment Training Institute; and,

Whereas, The New Jersey Senate commends the New Jersey Redevelopment Authority for its exemplary work and steadfast dedication in behalf of urban revitalization in the Garden State; now, therefore,

Be It Resolved by the Senate of the State of New Jersey:

That this House hereby honors the New Jersey Redevelopment Authority in recognition of its Tenth Anniversary, and acknowledges its extraordinary endeavors to improve the quality of life in the Garden State; and,

Be It Further Resolved, That a duly authenticated copy of this resolution, signed by the President and attested by the Secretary, be transmitted to the New Jersey Redevelopment Authority.

[Signature]
President of the Senate

[Signature]
Secretary of the Senate
JRP GREENWOOD REDEVELOPMENT PROJECT
JRP Investments, LLC will construct two-family units within the city’s Greenwood Redevelopment Area. NJRA provided a $122,000 NJUSA loan to pay for acquisition and predevelopment costs. NJRA participation will enable JRP Investments to acquire two properties that have been blighted and underutilized for many years.

Redevelopment of these lots will help grow a much-needed housing stabilization effort in the city.

BRAND NEW DAY FOURTH STREET REDEVELOPMENT PROJECT
Brand New Day will rehabilitate a vacant and dilapidated 11-unit multi-family building in the commercial district of the city’s Greenwood Redevelopment Area. NJRA provided a $180,000 NJUSA loan, which will allow Brand New Day to gain ownership of the property in a timely manner, therefore allowing the developer to prepare the site for redevelopment.

This project serves as another positive step in the city’s efforts to solve its housing challenges.

Elizabeth

BRAND NEW DAY FIRST STREET REDEVELOPMENT PROJECT
Brand New Day will redevelop an underutilized, dilapidated vacant site into a Homeownership Center. This two-phase project will include the construction of four one-bedroom rental units and two four-bedroom rental units. The second site will become a newly renovated and expanded headquarters for Brand New Day, as well as six units of affordable rental housing. NJRA provided a $585,000 NJUSA loan to redevelop the building.

The Homeownership Center will serve as a community center to provide homeownership education and financial literacy.

UNION STREET AND WESTFIELD AVENUE REDEVELOPMENT PROJECT
The George Group, LLC will develop an eight-story mixed-use building that will house 350 units of affordable housing and ground-level retail space in the Midtown Elizabeth Redevelopment Area. Each unit will have full living amenities that include an exercise gym, a swimming pool, common-use community meeting space and outdoor community green space. NJRA provided a $2 million NJUSA loan for acquisition and predevelopment costs associated with the development of this project. NJRA’s participation will enable The George Group to acquire this midtown property that is in desperate need of redevelopment.

The redevelopment of this lot will help strengthen an underutilized area of the city of Elizabeth, and will bring a high-end mix of residential, commercial and community uses that the city’s downtown has not seen in over 20 years.
Hillside

PICASSO LIGHTING, INC.
Picasso Lighting, Inc. will redevelop a vacant and underutilized property next door to its existing business. The development of this site will result in 20 additional parking spaces on a previously contaminated vacant site. The project will also allow for the expansion of its showroom, wholesale/retail business and manufacturing operation. NJRA provided a $250,000 loan to cover predevelopment expenses associated with the redevelopment of the vacant and underutilized property next door to its business.

_The expansion will contribute to increased sales for the company and increased tax revenues for the Hillside Urban Enterprise Zone._

Irvington

HAZELTON CONSORTIUM, LLC
Hazelton Consortium, LLC will develop the Irvington Town Center Project, which will entail the construction of 150 studio and one to three-bedroom apartments, over 200,00 square feet of commercial retail space, 550 indoor parking spaces and approximately 180,000 square feet of office space. NJRA provided a $170 million taxable bond to provide permanent financing for the town center.

_The Irvington Town Center Project will be a regional center that will benefit Irvington’s economy by increasing its tax base, creating access to new employment and providing affordable homeownership and rental opportunities._

NITT DEVELOPMENT PROJECT
NITT Development, LLC will construct a four-story building that will house 19 condominium units and four ground-level commercial rental units. NJRA provided a $530,000 NJUSA loan to pay for the acquisition and predevelopment costs associated with the project.

_The project, located within the borders of Irvington’s East Ward/East Springfield Avenue Redevelopment Area, will play a very large role in stabilizing housing in Irvington’s East Ward._

Orange

SCOTT/GROVES DEVELOPMENT, LLC
Scott/Groves Development, LLC will construct a mixed-use project on vacant land that consists of seven for-sale affordable condo units and two commercial/retail condo units. NJRA provided a $250,000 NJ-PDF loan to cover predevelopment expenses for the construction of this project.

_This project, located in the state’s proposed Transit Village Overlay District, will further complement this area and generate revenue within the city’s Urban Enterprise Zone._
IVY HILL SENIOR CARE PROJECT
Ivy Hill Senior Care Corporation will develop 7.1 acres of vacant land into a large scale senior housing project. The project will include six individual condominiums, a 466-unit senior apartment complex, retail space related to the housing, a 325-slot adult medical day care center, a 120-bed nursing home, a Healthcare Support Services Facility and a preschool for 100 children. NJRA provided a $500,000 RIF loan for the development of the adult medical day care facility portion of the project.

This project will help alleviate the affordable housing dilemma for seniors in the city of Newark, as well as provide supportive health care services with meals at an affordable price. Over 100 permanent jobs will be created in the healthcare industry.

AVENUE B REDEVELOPMENT PROJECT
Avenue B Investors, LLC will develop a brownfields site into a new five-story building with 15 units of market-rate rental apartments, 6,000 square feet of state-of-the-art office space and 15 indoor ground-level parking spaces. This mixed-use project will be constructed on the former Globe Metal Finishing site, which has been underutilized for more than 15 years. NJRA provided a $712,000 E²P loan to pay for the acquisition, environmental remediation and predevelopment costs associated with this project located in the Ironbound section of Newark.

This project will strengthen the city’s economic base by attracting private investment, and increasing employment opportunities and municipal revenue.

Jersey City

JOHNSTON STATION REDEVELOPMENT PROJECT
Johnston Station, LLC will redevelop a one-story industrial building into a nine-story mixed-use project. The project will entail the construction of 46 condominiums with on-site parking and 10,000 square feet of ground-level commercial retail space. NJRA provided a $530,000 NJUSA loan for the acquisition of two vacant and underutilized properties associated with the project site.

This project will be a major economic catalyst for the continued redevelopment efforts in the city of Jersey City.

WEBB APARTMENTS
Genesis Jersey City Partners, LLC has been designated by the city of Jersey City to redevelop several underutilized and decaying properties in the Martin Luther King Drive Redevelopment Area. GJCP will construct a five-story mixed-use building. This project entails the development of 40 affordable rental apartments, 10,000 square feet of ground floor retail and community space. GJCP’s development team specializes in creating “green buildings” that emphasize renewable resources, energy conservation and efficiency technologies. NJRA provided a $801,000 NJUSA loan for acquisition and predevelopment costs associated with the development of this project.

This project will spur additional public and private investment and residential growth opportunities for the MLK Drive community.
**Plainfield**

**KING'S TEMPLE HOUSING PROJECT**
King’s Temple Community Development Corporation will redevelop 10 scattered housing redevelopment project sites throughout the city into market-rate homes. NJRA provided a $150,000 E2P loan to pay for costs associated with the environmental remediation of four of the city-owned properties.

*This project will complete a major housing stabilization project in several neighborhoods throughout Plainfield.*

**Trenton**

**TRENTON TOWN CENTER PROJECT**
Full Spectrum of NY, LLC will develop 251 new residential condominium and rental apartments. This project will also include 100,000 square feet of class A commercial office space, a 376 structured parking facility and 34,000 square feet of street-level retail space. NJRA provided a $1.5 million NJUSA loan to pay for costs associated with the property acquisition, master planning and predevelopment work associated with this project.

*The development of Trenton Town Center will serve as a catalyst in Trenton’s citywide redevelopment plan.*

**LEEWOOD CP WHITTAKER, LLC**
Leewood CP Whittaker, LLC will develop a 40-unit luxury condominium building, called The Whittaker. The project, located in the Mill Hill historic district of Trenton, will include two four-story buildings that consist of two luxury loft-style units each. An internal courtyard with 28 off-street parking spaces in addition to 12 garaged parking spots will be offered. NJRA provided a $760,000 NJUSA loan for acquisition and demolition of a structure associated with this project. NJRA’s investment will provide for the level of site acquisition and preparation needed by the development team to move forward with the revitalization in this area.

*This project will allow for a full redevelopment of the former Mill Hill Motel in keeping with the concerns of Mill Hill residents, local businesses, and city and county interests.*

**Paterson**

**FORM, FIT AND FUNCTION**
Form, Fit and Function purchased a new building for the relocation and expansion of its existing business, which is relocating from Dover, NJ. The relocation provides the company with the space needed to fulfill existing contracts and future growth. NJRA provided a $350,000 NJ-PLP loan and a $1.6 million taxable bond to assist Form, Fit and Function with the purchase and renovation of the building costs associated with this project.

*The completion of this project will provide the company with real estate ownership. Project revenues generated will trigger a multitude of benefits for the city, including 10 new jobs that will be created in its manufacturing and administrative operations.*
These investments represent financing committed by New Jersey Redevelopment Authority (NJRA) from January 1 to December 31, 2006.

To date, NJRA has committed to invest more than $315 million in New Jersey's urban communities, leveraging more than $2.6 billion in total project costs.

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Financing Type</th>
<th>Municipality</th>
<th>NJRA Support</th>
<th>Total Development Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>JRP Greenwood Redevelopment Project</td>
<td>NJUSA</td>
<td>East Orange</td>
<td>$122,000</td>
<td>$225,000</td>
</tr>
<tr>
<td>Brand New Day Fourth Street Redevelopment Project</td>
<td>NJUSA</td>
<td>East Orange</td>
<td>$180,000</td>
<td>$1,644,000</td>
</tr>
<tr>
<td>Brand New Day First Street Redevelopment Project</td>
<td>NJUSA</td>
<td>Elizabeth</td>
<td>$585,000</td>
<td>$2,300,000</td>
</tr>
<tr>
<td>The George Group, LLC</td>
<td>NJUSA</td>
<td>Elizabeth</td>
<td>$2,000,000</td>
<td>$109,800,000</td>
</tr>
<tr>
<td>Picasso Lighting, Inc.</td>
<td>NJRA PDF</td>
<td>Hillside</td>
<td>$250,000</td>
<td>$4,000,000</td>
</tr>
<tr>
<td>Hazelton Consortium, LLC</td>
<td>TB</td>
<td>Irvington</td>
<td>$170,000,000</td>
<td>$174,000,000</td>
</tr>
<tr>
<td>NITT Development, LLC</td>
<td>NJUSA</td>
<td>Irvington</td>
<td>$530,000</td>
<td>$4,000,000</td>
</tr>
<tr>
<td>Genesis Jersey City Partners, LLC</td>
<td>NJUSA</td>
<td>Jersey City</td>
<td>$801,000</td>
<td>$11,400,000</td>
</tr>
<tr>
<td>Johnston Street Station, LLC</td>
<td>NJUSA</td>
<td>Jersey City</td>
<td>$2,250,000</td>
<td>$19,400,000</td>
</tr>
<tr>
<td>Form, Fit and Function, LLC</td>
<td>RIF</td>
<td>Paterson</td>
<td>$350,000</td>
<td>$2,341,263</td>
</tr>
<tr>
<td>Form, Fit and Function, LLC</td>
<td>TB</td>
<td>Paterson</td>
<td>$1,650,000</td>
<td>$2,341,263</td>
</tr>
<tr>
<td>Ivy Hill Senior Care Corporation</td>
<td>RIF</td>
<td>Newark</td>
<td>$500,000</td>
<td>$15,400,000</td>
</tr>
<tr>
<td>Avenue B Investors, LLC</td>
<td>E&amp;P</td>
<td>Newark</td>
<td>712,000</td>
<td>$3,327,500</td>
</tr>
<tr>
<td>Scott/Groves Development, LLC</td>
<td>NJPDF</td>
<td>Orange</td>
<td>$250,000</td>
<td>$2,450,000</td>
</tr>
<tr>
<td>King’s Temple CDC</td>
<td>E&amp;P</td>
<td>Plainfield</td>
<td>$150,000</td>
<td>$3,440,000</td>
</tr>
<tr>
<td>Full Spectrum of NY, LLC</td>
<td>NJUSA</td>
<td>Trenton</td>
<td>$1,500,000</td>
<td>$85,000,000</td>
</tr>
<tr>
<td>Leewood CP Whittaker, LLC</td>
<td>NJUSA</td>
<td>Trenton</td>
<td>$760,000</td>
<td>$10,523,000</td>
</tr>
</tbody>
</table>

Legend:  
RIF: Redevelopment Investment Fund  
NJUSA: New Jersey Urban Site Acquisition Program  
TB: Taxable Bond  
NJRA PDF: NJRA Predevelopment Fund  
E&P: Environmental Equity Program  

Total NJRA Investments $182,590,000  
Total Development Costs $449,250,763
The NJRA’s eligible municipalities are qualified to receive access to capital in the form of tax-exempt bond financing, direct loans, loan guarantees and property acquisition financing, as well as, technical assistance. The NJRA fosters partnerships to ensure effective projects at the neighborhood level.
BOARD OF DIRECTORS

CHAIRMAN
Susan Bass Levin
Commissioner
Department of Community Affairs

EX-OFFICIO MEMBERS
Bradley Abelow
State Treasurer
Stuart Rabner
Attorney General
Fred M. Jacobs, M.D., J.D.
Commissioner
Department of Health and Senior Services

Virginia S. Bauer
CEO & Secretary
New Jersey Commerce, Economic Growth & Tourism Commission
Lisa P. Jackson
Commissioner
Department of Environmental Protection
Jennifer Velez
Acting Commissioner
Department of Human Services

Lucille E. Davy
Commissioner
Department of Education
David J. Socolow
Commissioner
Department of Labor and Workforce Development
Kris Kolluri
Commissioner
Department of Transportation

PUBLIC MEMBERS
Michael N. Kasparian
President
MDK Development, LLC
Raymond J. McDonough
Mayor
Town of Harrison
William Sumas
Executive Vice President
Village Supermarkets & Chairman of NJ Food Council

B. Harold Smick, Jr.
Chairman
I.S. Smick Lumber
Harold Nafash
Director of Real Estate
Lowe’s Home Companies, Inc.
Barry E. Vankat
Senior Vice President
Wachovia Bank

Cosmo Iacavazzi

STAFF
Leslie A. Anderson
Executive Director
Sharon Lee-Williams
Manager of Lending Services
Enid Taylor
Executive Assistant to the Executive Director

Antonio Henson
Director of Business Development
Tammori C. Petty
Manager of Marketing, Communications & Information Technology
Jacqueline Rivera
Administrative Analyst

Kim Avant-Babb
Manager of Business Development
Roy Southerland, Jr.
Loan Officer
Marge Creely
Administrative Analyst

Elly Gonzalez
Manager of Operations
Gerson Martinez
Programs & Services Coordinator
Diana Albarran
Marketing & Communications Assistant
NEW JERSEY REDEVELOPMENT AUTHORITY

AUDIT OF COMBINED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS’ REPORT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
# NEW JERSEY REDEVELOPMENT AUTHORITY
## TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Auditors’ Report</td>
<td>1-2</td>
</tr>
<tr>
<td>Management’s Discussion and Analysis</td>
<td>3-6</td>
</tr>
<tr>
<td>Combined Financial Statements:</td>
<td></td>
</tr>
<tr>
<td>Combined Balance Sheets</td>
<td>7</td>
</tr>
<tr>
<td>Combined Statements of Revenues, Expenses and Changes in Net Assets</td>
<td>8</td>
</tr>
<tr>
<td>Combined Statements of Cash Flows</td>
<td>9</td>
</tr>
<tr>
<td>Notes to Combined Financial Statements</td>
<td>10-17</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITORS’ REPORT

To the Board of Directors
New Jersey Redevelopment Authority

We have audited the accompanying combined balance sheets of the New Jersey Redevelopment Authority (the “Authority”), a component unit of the State of New Jersey, and its component unit as of December 31, 2006, and the related combined statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These combined financial statements are the responsibility of the Authority’s management. Our responsibility is to express an opinion on these combined financial statements based on our audits. The financial statements as of December 31, 2005 were audited by other auditors, whose report dated January 10, 2006, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the New Jersey Redevelopment Authority and its component unit as of December 31, 2006, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 23, 2007 on our consideration of the Authority’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with
Government Auditing Standards and should be considered in assessing the results of our audit.

The Management’s Discussion and Analysis on pages 3 through 6 are not a required part of the basic combined financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

McEnerney, Brady & Company, LLC
Livingston, New Jersey
March 23, 2007
NEW JERSEY REDEVELOPMENT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of the Authority’s annual financial report presents our discussion and analysis of the Authority’s financial performance during the year that ended on December 31, 2006. Please read it in conjunction with the financial statements and accompanying notes, which follow this section.

Financial Highlights

- The Authority’s total assets increased by $.958 million or 1.7%.
- Total liabilities increased by $.180 million or 21.5%.
- The Authority’s total net assets improved by $.775 million or 1.4%.
- Total operating revenues improved by $.197 million or 16.0%
- Non-operating revenues, net of non-operating expenditures increased by $.703 million or 952.7%.

Overview of the Financial Statements

This annual report consists of two parts: management’s discussion and analysis and the basic financial statements. The financial statements also include notes that explain information in the financial statements in more detail. The Authority is a self-supporting entity and follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short-term and long-term financial information about the activities and operations of the Authority. These statements are presented in a manner similar to a private business, such as real estate development, investment banking, commercial lending, and private consulting. While detailed sub-fund information is not presented, separate accounts are maintained for each program to control and manage money for particular purposes or to demonstrate that the Authority is properly using specific appropriations and grants.

Financial Analysis of the Authority

Significant Events – On June 22, 2005, the Authority approved the reconstitution of the New Jersey Pre-Development Fund (“NJPDF”) as follows:

- Rename as the New Jersey Redevelopment Authority Pre-Development Fund (“NJRA PDF”).
- Funded by the Community Reinvestment Fund (“CRF”) Account Proceeds in the amount of $2.5 million
- Loan amount – Maximum of $250,000
- Loan term – Maximum of 24 months
- Pricing – Rates typically below market

The NJRA PDF will continue to provide funding to cover various pre-development activities, including feasibility studies, architectural costs, environmental and engineering studies, legal and other related soft costs for development to occur.
NEW JERSEY REDEVELOPMENT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS

During 2006, an agreement has been entered into whereby the partnership will be terminated and the initial investment will be returned to the Authority during 2007.

During 2006, the Authority closed one project for the Working in Newark’s Neighborhoods loan program.

Net Assets:
The following table summarizes the changes in net assets between December 31, 2006 and 2005:

<table>
<thead>
<tr>
<th></th>
<th>NJRA</th>
<th>WINN</th>
<th>Total 2006</th>
<th>FY 2005</th>
<th>Dollar Changes</th>
<th>Total Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td>5,723</td>
<td>924</td>
<td>6,648</td>
<td>8,635</td>
<td>(1,987)</td>
<td>(23.0)</td>
</tr>
<tr>
<td>Non-Current Assets</td>
<td>42,876</td>
<td>821</td>
<td>51,098</td>
<td>48,154</td>
<td>2,944</td>
<td>6.1</td>
</tr>
<tr>
<td>Total Assets</td>
<td>48,600</td>
<td>9,146</td>
<td>57,746</td>
<td>56,789</td>
<td>957</td>
<td>1.7</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>1,018</td>
<td>0</td>
<td>1,018</td>
<td>838</td>
<td>180</td>
<td>21.5</td>
</tr>
<tr>
<td>Restricted Net Assets</td>
<td>18,207</td>
<td>9,124</td>
<td>27,331</td>
<td>35,289</td>
<td>(7,778)</td>
<td>(22.0)</td>
</tr>
<tr>
<td>Unrestricted Net Assets</td>
<td>29,341</td>
<td>22</td>
<td>29,363</td>
<td>20,577</td>
<td>8,786</td>
<td>42.7</td>
</tr>
<tr>
<td>Investment in Capital Assets</td>
<td>32</td>
<td>0</td>
<td>32</td>
<td>85</td>
<td>(53)</td>
<td>(62.4)</td>
</tr>
<tr>
<td>Total Net Asset</td>
<td>47,581</td>
<td>9,146</td>
<td>56,728</td>
<td>55,951</td>
<td>777</td>
<td>1.4</td>
</tr>
</tbody>
</table>

The current assets declined 23.0% to $6.6 million in FYE 2006 compared to $8.6 million the previous year-end. Current assets accounted for 11.5% of total assets, with increases in notes receivables of $.89 million. The increase in notes receivables was a result of a substantial number of short-term loans issued in 2006. Non-current assets improved slightly by 6.1% due to the Authority’s growth in long-term loan activity.

Total liabilities increased $.180 million or 21.8% between FYE 2005 and FYE 2006, due to the increase in the amount due to sub-recipients. The Authority oversees and manages the Community Economic Development Initiative Program. This program provides grants to neighborhood housing nonprofits (see Note 6). The increase in the sub-recipients account was a result of the Authority committing a portion of the allocated funds during the year 2006.

The Authority’s net assets improved to $56.7 million at FYE 2006 from $55.9 million at FYE 2005, the improvement was primarily a result of the increases in non-operating income due to higher interest rate return on investments.

The following table summarizes the Changes in Net Assets between years 2006 and 2005:

<table>
<thead>
<tr>
<th></th>
<th>NJRA</th>
<th>WINN</th>
<th>Total 2006</th>
<th>FY 2005</th>
<th>Dollar Changes</th>
<th>Total Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Operating Revenues</td>
<td>1,410</td>
<td>21</td>
<td>1,431</td>
<td>1,230</td>
<td>201</td>
<td>16.3%</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>2,181</td>
<td>468</td>
<td>2,649</td>
<td>2,356</td>
<td>293</td>
<td>9.8%</td>
</tr>
<tr>
<td>Operating Income (Loss)</td>
<td>(771)</td>
<td>(447)</td>
<td>(1,218)</td>
<td>(1,126)</td>
<td>(92)</td>
<td>8.2%</td>
</tr>
<tr>
<td>Total Non-Operating Revenues</td>
<td>1,578</td>
<td>417</td>
<td>1,995</td>
<td>1,406</td>
<td>589</td>
<td>41.9%</td>
</tr>
<tr>
<td>Total Non-Operating Expenses</td>
<td>(206)</td>
<td>(206)</td>
<td>(206)</td>
<td>(206)</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>Changes in Net Assets</td>
<td>807</td>
<td>(30)</td>
<td>777</td>
<td>74</td>
<td>703</td>
<td>(950%)</td>
</tr>
</tbody>
</table>
NEW JERSEY REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Activities:
The Authority charges financing fees that may include an application fee, commitment and/or acceptance fee, closing fee, extension fee, and document execution fee. Interest income accrues to the benefit of the program for which the underlying source of funds is utilized.

For year ended December 31, 2006, the Authority recorded revenues of $1.43 million, an 13.9% improvement over the previous year. The improvement can be attributed to increases in interest income on notes receivables and fee income, both due to increased loan activity. After non-operating income of $1.995 million from investment income, the Authority reported an increase in net assets of $.777 million versus a gain in net assets of $.74 million the previous year.

Non-Operating Activities:
The Authority receives interest income on funds invested. These funds are highly liquid debt instruments with a maturity of three months or less and are considered to be cash equivalents. Given the nature of the Authority as an enterprise fund, the interest income derived from these assets is considered outside of the Authority’s primary operating activities. Also included in non-operating activities are the unrealized losses on the investment in a Limited Liability Company and Financial Assistance Awards expense.

Other Financial Information

As typical for a financial institution, the relationship between allowances for uncollectible accounts and the offsetting loss provision is an integral component of the relationship of the Balance Sheet to the Statement of Revenues, Expenses, and Changes in Net Assets. Although not mandated to do so, allowances for doubtful notes and guarantee payments are determined in accordance with guidelines established by the Office of the Comptroller of the Currency. The Authority accounts for its potential loss exposure through the use of risk ratings. Each risk rating is assigned a specific loss factor in accordance with the severity of the classification. All loans and guarantees are assigned a specific risk rating. The assigned risk ratings are continuously updated to account for changes in the financial condition of the borrower or guarantor, payment history, loan covenant, violations and changing economic conditions.

At December 31, 2006 and 2005, the Authority’s allowance and guarantees for total notes receivables were $3,762,976 and $4,637,800 for the Redevelopment Fund and $1,194,564 and $612,506 for the Urban Site Acquisition Fund, respectively. The stated allowance for Notes Receivable for the Redevelopment Investment Fund is largely comprised of loans existing prior to the creation of the Authority. The WINN allowance is 2006 was $9,196.
Contacting the Authority’s Financial Management

This financial report is designed to provide New Jersey citizens and taxpayers, and our customers, clients, investors and creditors, with a general overview of the Authority’s finances and to demonstrate the Authority’s accountability for the appropriations and grants that it receives. If you have questions about the report or need additional information, contact the New Jersey Redevelopment Authority’s Executive Director, at 150 West State Street, 2nd Floor West, PO Box 790, Trenton, NJ 08625-790 or visit our web site at www.njra.us.
<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NJRA</td>
<td>WINN</td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$4,202,297</td>
<td>$9,302</td>
</tr>
<tr>
<td>Notes receivable, net of allowances and participations</td>
<td>368,212</td>
<td>910,396</td>
</tr>
<tr>
<td>Accrued interest receivable on notes</td>
<td>1,152,951</td>
<td>5,099</td>
</tr>
<tr>
<td>Total current assets</td>
<td>5,723,460</td>
<td>924,797</td>
</tr>
<tr>
<td>Noncurrent assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted cash</td>
<td>24,684,305</td>
<td>8,221,973</td>
</tr>
<tr>
<td>Long-term portion of notes receivable, net</td>
<td>18,159,857</td>
<td>18,159,857</td>
</tr>
<tr>
<td>Investments, net of valuation reserve</td>
<td>32,429</td>
<td>32,429</td>
</tr>
<tr>
<td>Capital assets, net of accumulated depreciation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Assets</td>
<td>$48,600,051</td>
<td>$9,146,770</td>
</tr>
</tbody>
</table>

| LIABILITIES AND NET ASSETS | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | $71,616 | - | $71,616 | $61,098 |
| Due to subrecipients | 943,415 | 943,415 | 747,360 |
| Allowance for guarantee losses | 3,518 | 3,518 | 30,003 |
| Total liabilities | 1,018,549 | - | 1,018,549 | 838,461 |

| Net assets: | | | |
| Investment in capital assets | 32,429 | 32,429 | 84,868 |
| Restricted net assets | 18,207,866 | 9,124,048 | 27,331,914 | 35,289,722 |
| Unrestricted net assets | 29,341,207 | 22,722 | 29,363,929 | 20,576,135 |
| Total net assets | 47,581,502 | 9,146,770 | 56,728,272 | 55,950,725 |
| Total liabilities and net assets | $48,600,051 | $9,146,770 | $57,746,821 | $56,789,186 |

The accompanying notes are an integral part of the combined financial statements.

Page 7
### NEW JERSEY REDEVELOPMENT AUTHORITY
Combined Statements of Revenues, Expenses and Changes in Net Assets
For the years ended December 31, 2006 and 2005

<table>
<thead>
<tr>
<th></th>
<th>NJRA 2006</th>
<th>WINN 2006</th>
<th>Total 2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Income on Notes Receivable</td>
<td>$831,470</td>
<td>$19,572</td>
<td>$851,042</td>
<td>$574,413</td>
</tr>
<tr>
<td>Fee Income</td>
<td>574,196</td>
<td>1,550</td>
<td>575,746</td>
<td>601,501</td>
</tr>
<tr>
<td>Other</td>
<td>4,525</td>
<td></td>
<td>4,525</td>
<td>53,824</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>1,410,191</td>
<td>21,122</td>
<td>1,431,313</td>
<td>1,229,738</td>
</tr>
<tr>
<td><strong>Operating Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries &amp; Benefits</td>
<td>1,089,491</td>
<td>1,089,491</td>
<td>1,197,364</td>
<td></td>
</tr>
<tr>
<td>Management Fee</td>
<td></td>
<td>458,764</td>
<td>458,764</td>
<td>468,255</td>
</tr>
<tr>
<td>General &amp; Administrative</td>
<td>387,909</td>
<td>387,909</td>
<td>254,495</td>
<td></td>
</tr>
<tr>
<td>Rent</td>
<td>221,665</td>
<td>221,665</td>
<td>199,770</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>52,439</td>
<td>52,439</td>
<td>55,902</td>
<td></td>
</tr>
<tr>
<td>Loan Loss Provision</td>
<td>429,441</td>
<td>9,196</td>
<td>438,637</td>
<td>179,597</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>2,180,945</td>
<td>467,960</td>
<td>2,648,905</td>
<td>2,355,383</td>
</tr>
<tr>
<td><strong>Operating Loss</strong></td>
<td>(770,754)</td>
<td>(446,838)</td>
<td>(1,217,592)</td>
<td>(1,125,645)</td>
</tr>
<tr>
<td><strong>Nonoperating revenues and Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Income</td>
<td>1,578,388</td>
<td>416,751</td>
<td>1,995,139</td>
<td>1,405,571</td>
</tr>
<tr>
<td>Financial Assistance Awards</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(32,000)</td>
</tr>
<tr>
<td>Unrealized Loss on Investment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(174,138)</td>
</tr>
<tr>
<td><strong>Increase (Decrease) in Net Asset</strong></td>
<td>807,634</td>
<td>(30,087)</td>
<td>777,547</td>
<td>73,788</td>
</tr>
<tr>
<td><strong>Net Assets - Beginning of Year</strong></td>
<td>46,773,868</td>
<td>9,176,857</td>
<td>55,950,725</td>
<td>55,876,937</td>
</tr>
<tr>
<td><strong>Net Assets - End of Year</strong></td>
<td>$47,581,502</td>
<td>$9,146,770</td>
<td>$56,728,272</td>
<td>$55,950,725</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the combined financial statements.
## Combined Statements of Cash Flows

For the Years Ended December 31, 2006 and 2005

<table>
<thead>
<tr>
<th>Cash Flows from Operating Activities:</th>
<th>NJRA</th>
<th>WINN</th>
<th>Total</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Disbursed to Borrowers</td>
<td>$(10,570,794)</td>
<td>$(925,000)</td>
<td>$(11,495,794)</td>
<td>$(4,669,202)</td>
<td></td>
</tr>
<tr>
<td>Cash Received from Borrowers</td>
<td>3,625,433</td>
<td>19,881</td>
<td>3,645,314</td>
<td>4,506,264</td>
<td></td>
</tr>
<tr>
<td>Cash Received from Loan Participant</td>
<td></td>
<td>1,550</td>
<td></td>
<td>1,550</td>
<td>50,000</td>
</tr>
<tr>
<td>Cash Disbursed for Goods &amp; Services</td>
<td>(609,574)</td>
<td>(609,574)</td>
<td>(742,875)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Disbursed for Personnel Costs</td>
<td>(1,089,491)</td>
<td>(1,089,491)</td>
<td>(1,195,862)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Received for Management Fees</td>
<td>458,764</td>
<td>458,764</td>
<td>468,255</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Disbursed for Management Fees</td>
<td></td>
<td>(458,764)</td>
<td></td>
<td>(468,255)</td>
<td></td>
</tr>
<tr>
<td><strong>Net Cash (used in) provided by</strong></td>
<td>(8,185,662)</td>
<td>(1,362,333)</td>
<td>(9,547,995)</td>
<td>(2,051,675)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash Flows from Non-Financing Activities:</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Disbursed for Financial Assistance Awards</td>
<td></td>
<td></td>
<td>(32,000)</td>
<td></td>
</tr>
<tr>
<td>Cash Disbursed to Subrecipients</td>
<td>(711,445)</td>
<td>(711,445)</td>
<td>(645,000)</td>
<td></td>
</tr>
<tr>
<td>Proceeds from Appropriations from the State</td>
<td>712,500</td>
<td>712,500</td>
<td>495,000</td>
<td></td>
</tr>
<tr>
<td><strong>Net Cash (used in) provided by Non-Capital Financing Activities</strong></td>
<td>1,055</td>
<td></td>
<td>1,055</td>
<td>(182,000)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash Flows from Investing Activities:</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of Fixed Assets</td>
<td></td>
<td></td>
<td>(15,749)</td>
<td></td>
</tr>
<tr>
<td>Investment Income</td>
<td>1,578,388</td>
<td>416,751</td>
<td>1,995,139</td>
<td>1,405,571</td>
</tr>
<tr>
<td><strong>Net Cash Provided by Investing Activities</strong></td>
<td>1,578,388</td>
<td>416,751</td>
<td>1,995,139</td>
<td>1,389,822</td>
</tr>
</tbody>
</table>

| Net Increase (Decrease) in Cash and Cash equivalents | (6,606,219) | (945,582) | (7,551,801) | (843,853) |

| Cash & Cash Equivalents, Beginning of Year | 35,492,821 | 9,176,857 | 44,669,678 | 45,513,531 |

| Cash & Cash Equivalents, End of Year | $28,886,602 | $8,231,275 | $37,117,877 | $44,669,678 |

<table>
<thead>
<tr>
<th>Cash &amp; Cash Equivalents Classified as:</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td>$4,202,297</td>
<td>$9,302</td>
<td>$4,211,599</td>
<td>$7,468,084</td>
</tr>
<tr>
<td>Restricted Assets</td>
<td>24,684,305</td>
<td>8,221,973</td>
<td>32,906,278</td>
<td>37,201,594</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$28,886,602</td>
<td>$8,231,275</td>
<td>$37,117,877</td>
<td>$44,669,678</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reconciliation of Operating Loss to Net Cash (Used In) Provided by Operating Activities:</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Loss</td>
<td>$(770,754)</td>
<td>$(446,838)</td>
<td>$(1,217,592)</td>
<td>$(1,125,645)</td>
</tr>
<tr>
<td>Adjustments to Reconcile Operating Loss to Net Cash (Used IN) Provided by Operating Activities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>52,439</td>
<td>52,439</td>
<td>55,902</td>
<td></td>
</tr>
<tr>
<td>Other Income</td>
<td></td>
<td></td>
<td>(45,000)</td>
<td></td>
</tr>
<tr>
<td>Changes in Assets &amp; Liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase)/Decrease in Notes Receivable, Net</td>
<td>(7,273,949)</td>
<td>(910,396)</td>
<td>(8,184,345)</td>
<td>(880,037)</td>
</tr>
<tr>
<td>(Decrease)/Inc. in Accrued Interest Receivable</td>
<td>(373,486)</td>
<td>(5,099)</td>
<td>(378,585)</td>
<td>5,051</td>
</tr>
<tr>
<td>Increase(Decrease) in Liabilities</td>
<td>180,088</td>
<td>180,088</td>
<td>(61,946)</td>
<td></td>
</tr>
<tr>
<td><strong>Total Adjustments</strong></td>
<td>(7,414,908)</td>
<td>(915,495)</td>
<td>(8,330,403)</td>
<td>(926,030)</td>
</tr>
<tr>
<td><strong>Net Cash (Used In) provided by Operating Activities</strong></td>
<td>$(8,185,662)</td>
<td>$(1,362,333)</td>
<td>$(9,547,995)</td>
<td>$(2,051,675)</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the combined financial statements.
Notes 1 – Nature of the Authority

The New Jersey Redevelopment Authority (the “Authority”) is focused on advancing the quality of life in New Jersey’s urban municipalities by expanding economic opportunities.

The Authority is a public body corporate and politic, constituting an instrumentality of the State of New Jersey (“State”). The Authority was established by Chapter 62, P.L. 1996 (“Act”) on July 13, 1996 to provide assistance in the redevelopment and revitalization of New Jersey cities. Under the Act, the Authority is to provide financial, managerial, and technical assistance to persons, firms, or corporations who wish to undertake industrial, commercial, or civic projects within qualified municipalities. Pursuant to the Act, the Authority was appropriated $9,000,000 from the State of New Jersey for the purpose of funding eligible projects and the commencement of operations. Pursuant to the Act, the Authority also assumed the assets, liabilities and retained earnings of the former New Jersey Urban Development Corporation (collectively, “Redevelopment Investment Fund”). The Authority became fully operational in April 1997.

In 1998, the Authority was appropriated an additional $25,000,000 to develop and implement the Urban Site Acquisition Program’s revolving loan fund. The fund finances acquisition related expenses for projects designated to facilitate the redevelopment of underutilized parcels of real estate. On March 30, 1998, the Governor of the State of New Jersey filed an executive reorganization plan, Executive Reorganization No. 002-1998, with the Legislature. The Plan was implemented to allow for more efficient use of resources targeted for urban development initiatives and provide for a more integrated and comprehensive approach to urban revitalization. Transferred the Authority from an independent Authority, in the Department of Commerce to the Department of Community Affairs. The Plan became effective May 31, 1998.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The Authority follows a proprietary fund type basis of accounting; accordingly, the accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under this basis of accounting revenues are recognized when earned and expenses are recognized as they are incurred.

The Authority follows the pronouncements of the Governmental Accounting Standards Board (GASB). In addition, the Authority follows the pronouncements of all applicable Financial Accounting Standards Board (FASB) statements and interpretations and Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. In addition, the Authority has elected to apply SFAS No. 114, Accounting by Creditors for Impairment of a Loan.
Note 2 – Summary of Significant Accounting Policies (Continued)

The Authority adopted GASB No. 34, Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments. Statements 34 established standards for external financial reporting for all state and local governmental entities which includes a Management Discussion and Analysis (MD&A) section providing an analysis of the Authority’s overall financial posture, a balance sheet, a statement of revenues and expenses and changes in fund net assets and a statement of cash flows. It requires the classification of net assets into three components – invest in capital assets, net of related debt; restricted; and unrestricted.

In April 2004, the Authority was directed to create a subsidiary corporation to manage a loan fund for projects directly related to redevelopment initiatives in Newark’s neighborhoods. The Authority created Working in Newark’s Neighborhoods (WINN), over which it exercises significant influence, as a result of WINN’s board being comprised principally of NJRA representatives. In addition, the Authority is financially accountable for WINN, therefore the accompanying financial statements include WINN as a discretely-presented component unit of the Authority.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Revenue Recognition
The Authority charges various financing fees which may include an application fee, commitment fee, and closing fee. Fees are recognized when earned. Interest and investment income are recognized as earned.

Allowance for Doubtful Notes and Guarantee Losses
Allowances for doubtful notes and guarantee losses are determined in accordance with SFAS No. 114, Accounting by Creditors for Impairment of a Loan and guidelines established by the Office of Comptroller of Currency which include classifications based on routine reviews of various factors such as loan documentation, repayment history, underlying collateral value, site visits and meetings with the borrowers, all of which impact collectibility.
New Jersey Redevelopment Authority
Notes to Combined Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 2 – Summary of Significant Accounting Policies (Continued)

Taxes
The Authority is exempt from all Federal and State income taxes and real estate taxes.

Cash and Cash Equivalents
The Authority considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

The Authority adopted GASB Statement No. 40 “Deposit and Investment Risk Disclosures,” which requires deposits exposed to custodial credit risk to be disclosed. Cash and cash equivalents subject to this risk because they are uninsured and uncollateralized as of December 31, 2006 and 2005, were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th></th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Book Balance</td>
<td>Bank Balance</td>
<td>Book Balance</td>
</tr>
<tr>
<td>Authority</td>
<td>$28,886,603</td>
<td>$28,750,176</td>
<td>$35,492,821</td>
</tr>
<tr>
<td>WINN</td>
<td>8,231,275</td>
<td>8,224,648</td>
<td>9,176,857</td>
</tr>
<tr>
<td>Total</td>
<td>$37,117,878</td>
<td>$36,974,824</td>
<td>$44,669,678</td>
</tr>
</tbody>
</table>

Capital Assets
Capital assets are carried at cost. The Authority capitalizes assets costing $5,000 or more and uses the straight-line method of depreciation over a useful life of three years.

Operating and Non-Operating Revenues (Expenses)
Consistent with GASB 34, the Authority defines revenues and expense transactions that support the principle ongoing operations of the Authority as operating. Non-operating revenues include most revenues from other than exchange and exchange-like transactions.

Restricted/Unrestricted Resource
When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the nature of the expense (i.e. restricted) determines what resource is applied first.

Note 3 – Notes Receivable
Notes receivable consist of loans and are generally collateralized by assets of the project, the assets of the borrowers, and/or personal assets and personal guarantees. The notes bear interest rates ranging from 4% to 8%, and generally mature at various times through 2033. At December 31, 2006 and 2005, notes receivable net or participations, were as follows:
Note 3 – Notes Receivable (Continued)

<table>
<thead>
<tr>
<th>Notes and Participations:</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Redevelopment Investment Fund Loans</td>
<td>$9,959,188</td>
<td>$10,942,248</td>
</tr>
<tr>
<td>Urban Site Acquisition Loans</td>
<td>13,526,410</td>
<td>5,814,483</td>
</tr>
<tr>
<td>WINN</td>
<td>919,592</td>
<td>-</td>
</tr>
<tr>
<td>Participations</td>
<td>-</td>
<td>(251,250)</td>
</tr>
<tr>
<td><strong>Total Notes and Participations</strong></td>
<td><strong>24,405,201</strong></td>
<td><strong>16,505,481</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Allowances and Guarantees:</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Redevelopment Investment Fund Loans</td>
<td>(3,762,976)</td>
<td>(4,637,800)</td>
</tr>
<tr>
<td>WINN</td>
<td>(9,196)</td>
<td>-</td>
</tr>
<tr>
<td>Urban Site Acquisition Loans</td>
<td>(1,194,564)</td>
<td>(612,506)</td>
</tr>
<tr>
<td><strong>Notes Receivable, Net</strong></td>
<td><strong>$19,438,465</strong></td>
<td><strong>$11,255,175</strong></td>
</tr>
</tbody>
</table>

Through the Pre-Development Fund, the Authority entered into participation agreements with commercial lending institutions whereby the institutions purchase an undivided, full risk, non-recourse participating interest income of the loans included within the Authority’s portfolio.

Note 4 – Capital Assets

Capital asset activity for the year ended December 31, 2006 was as follows:

<table>
<thead>
<tr>
<th>2005</th>
<th>Additions</th>
<th>Retirements</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and Equipment</td>
<td>$474,046</td>
<td>-</td>
<td>$474,046</td>
</tr>
<tr>
<td>Automobiles</td>
<td>62,105</td>
<td>-</td>
<td>62,105</td>
</tr>
<tr>
<td><strong>Total Capital Assets</strong></td>
<td>536,151</td>
<td>-</td>
<td>536,151</td>
</tr>
<tr>
<td>Accumulated Depreciation for:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Furniture and Equipment</td>
<td>(389,179)</td>
<td>(52,439)</td>
<td>(441,618)</td>
</tr>
<tr>
<td>Automobiles</td>
<td>(62,104)</td>
<td>-</td>
<td>(62,104)</td>
</tr>
<tr>
<td><strong>Total Accumulated Depreciation</strong></td>
<td>(451,283)</td>
<td>(52,439)</td>
<td>(503,722)</td>
</tr>
<tr>
<td>Capital Assets, Net</td>
<td>$84,868</td>
<td>$52,439</td>
<td>$32,429</td>
</tr>
</tbody>
</table>

Note 5 – Investment

The Authority invested $598,750, initially, in a Limited Liability Company established to own and operate a commercial real estate project. The Authority owns a 49% equity investment interest and uses the equity method to account for the capital investment. The initial investment is recorded at cost and the Authority’s equity interest is adjusted for its share of the operating results (income and loss) of the Limited liability Company, regardless of whether the amount was actually remitted. Dividends received from the investee reduce the carrying amount of the investment. The cumulative effect of operating losses from the inception of the company totaled $598,750 for the year ended December 31, 2005 and was reported as a valuation reserve in the financial statements. The net investment value was $-0- as of December 31, 2006 and 2005, respectively. During 2006, an agreement has been entered into whereby the partnership will be
terminated and the initial investment will be returned to the Authority during 2007.

Additionally, the 51% general partner is required to provide operating deficit loans to the Limited Liability Company for the life of the company up to $75,000. Audit reports of the Limited Liability Company are required for review by June 30th of each year.

Note 6 – Due to Sub-Recipients
During 2004, the Authority entered into a memorandum of understanding with the New Jersey Department of Community Affairs (DCA) to oversee and manage the funding associated with the Community Economic Development Initiative (CEDI). The program provides grants to neighborhood housing nonprofits to expand their roles into economic development activities. The Authority received $0 and $495,000 during 2006 and 2005, respectively, for this program. The unexpended balance of these funds as of December 31, 2006 and 2005, was $0 and $450,000, respectively.

The Authority has a custodial capacity agreement with the Department of Human Services (DHS) Division of Family Development (DFD), in which the Authority will serve as trustee of the Work First New Jersey Entrepreneur Development Pilot Program (WFNJ) and Business Development Account Program (BDA). There were no expenditures related to these programs during 2006 and 2005. As of December 31 2006 and 2005, the unexpended balance for WFNJ and BDA was $198,000 and $99,360, respectively.

The New Jersey Women’s Micro-Business Credit Program is a collaborative economic development program implemented during 2006 by DCA’s Division on Women and NJRA, a DCA affiliate. The program helps women with minimal business experience become successful entrepreneurs. This program started with $712,500 from the State of New Jersey and funded projects totaling $66,445 during 2006.

A summarization of the amounts due to sub-recipients from the above funding resources consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due to CEDI</td>
<td>0</td>
<td>450,000</td>
</tr>
<tr>
<td>Due to Micro Credit</td>
<td>646,055</td>
<td>-</td>
</tr>
<tr>
<td>Due to WFNJ</td>
<td>198,000</td>
<td>198,000</td>
</tr>
<tr>
<td>Due to BDA</td>
<td>99,360</td>
<td>99,360</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>943,415</strong></td>
<td><strong>747,360</strong></td>
</tr>
</tbody>
</table>

Note 7 – Commitments and Contingencies
A – Loans, Grants and Investments
The Authority had $3,383,250 and $1,758,250 of commitments from its Redevelopment Investment Fund not yet closed at December 31, 2006 and 2005, respectively. The Authority also had $5,042,500 and $8,642,500 of commitments from its Urban Site Acquisition Program at December 31, 2006 and 2005, respectively. As of December 31, 2006 and 2005,
Note 7 – Commitments and Contingencies (Continued)

the Environmental Equity Program had commitments of $1,287,000 and $9,075,000, respectively. There were $6,089,417 and $4,932,069 of closed loans not yet disbursed at December 31, 2006 and 2005, respectively.

B - Guarantee Program
The Authority had $851,770 and $813,637 of exposure for existing loan guarantees at December 31, 2006 and 2005. The obligation of the Authority to make payments under the terms of any guarantee agreement is expressly limited to monies available to the Authority and will not constitute a charge against the general credit of the Authority or of the State. The Authority held $534,556 and $509,294 of cash and cash equivalents in a separate bank account to cover their potential exposure at December 31, 2006, and 2005, respectively.

C – Operating Lease
The Authority entered into a lease for its administrative office space in August 2004. The term of the non-cancellable operating lease is five years, with two options to extend the lease term for two and one-half years each; on the same terms. The Authority is also required to pay 15.84% of the landlord’s operating expenses as additional rent. The future minimum rental payments under the lease are as follows:

<table>
<thead>
<tr>
<th>Year Ended</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>$137,647</td>
</tr>
<tr>
<td>2007</td>
<td>138,804</td>
</tr>
<tr>
<td>2008</td>
<td>80,959</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$357,410</strong></td>
</tr>
</tbody>
</table>

Rent expense totaled $221,665 and $199,770 as of December 31, 2006 and 2005.

Note 8 – Restriction on Net Assets
The Authority had net assets totaling $12,509,963 and $14,192,211 as of December 31, 2006 and 2005, respectively, available only for the revolving loan portion of the Urban Site Acquisition program (USA). Additionally, during 2005, $9,934,818 of the USA loan funds were designated for the Environmental Equity Program (E2P). As of December 31, 2006, there was a balance of $2,770,818 available for the program.

In addition, at December 31, 2006 and 2005, the Authority had net assets totaling $363,848 and $830,699, respectively, available only for the Restricted Community Reinvestment Fund under the terms of the Loan Sales Agreement.
Note 7 – Commitments and Contingencies (Continued)

There is also $2,563,237 and $2,570,737 available for the Pre-development Fund (See Note 9), as of December 31, 2006 and 2005, respectively.

Finally, there is $9,124,048 and $9,175,257 available to WINN to make loans for Redevelopment Projects in the Newark area as of December 31, 2006 and 2005, respectively. There were $1,720,000 of loans approved in 2005 and not disbursed in 2006.

Note 9 – Pre-Development Fund

On June 30, 2003, the Authority entered into a non-revolving line of credit agreement with a financial institution for $2,500,000 to provide Pre-development Funding. The Authority’s $2,500,000 was set-aside to match the $2,500,000 from the financial institution. The proceeds advanced by the Bank were to be matched 50% by the Authority and the amount of any pre-development loan issued to a borrower should not exceed $200,000. The interest rate for each advance was fixed and based on the prime rate in effect on the date the funds were advanced (funding date). Interest is calculated daily and is due on the first day of July, October, January, and April of each year the agreement is outstanding. The principal amount of each advance is due two years following the funding date.

As of December 31, 2006 and 2005, the Authority’s portion of outstanding loans under this agreement totaled $258,750 and $251,250, respectively.

Finally, under the agreement, the Authority was to provide a guarantee for loan funds disbursed, up to a maximum of $375,000.

In June 2005, the Pre-Development Fund was reconstituted and renamed the New Jersey Pre-Development Fund. The maximum loan amount to be disbursed is $250,000, for a maximum term of two year. This reconstitution eliminates the line of credit agreement with the Bank and the need for the Authority to guarantee up to $375,000. As of December 31, 2006 and 2005, the guarantee for outstanding loans is $258,750 and $251,250, respectively.

Note 10 – Retirement System

All Authority employees participate in the Public Employees’ Retirement System (PERS) of New Jersey. The Division of Pensions within the Treasury Department of the State of New Jersey is the administrator of the funds and charges the Authority annually for its respective contributions. The plans do not maintain separate records for each entity in the State and, therefore, the actuarial data for the Authority is not available.
Note 10-Retirement System (continued)

Covered employees are required by State statute to contribute a certain percentage of their salary to the plan. Each member’s percentage is based on age determined at the effective date of enrollment. In addition, PERS bill the Authority annually at an actuarially determined rate for the Authority’s required contribution.

The contribution requirement of plan members and the Authority are established and may be amended by the Board of Trustees of the PERS.
INDEPENDENT AUDITORS’ REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
New Jersey Redevelopment Authority

We have audited the financial statements of the New Jersey Redevelopment Authority (the “Authority”) and its component unit as of December 31, 2006 and have issued our report thereon dated March 23, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A matter weakness is a condition under which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statements amounts.
INDEPENDENT AUDITORS’ REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (CONTINUED)

Compliance and Other Matters (continued)

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the New Jersey Redevelopment Authority, the audit committee, management and others within the Authority and is not intended to be and should not be used by anyone other than these specified parties.

McEnerney, Brady & Company, LLC
Livingston, New Jersey
March 23, 2007