

**Report of the Governor's Advisory Commission  
On  
New Jersey Gaming, Sports and Entertainment**

**An Economic Recovery Plan  
For The  
State of New Jersey**

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**Dated: July 21, 2010**

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**REPORT OF THE GOVERNOR’S ADVISORY COMMISSION  
ON  
NEW JERSEY GAMING, SPORTS AND ENTERTAINMENT**

An Economic Recovery Plan for the State of New Jersey

**I. INTRODUCTION**

**A. THE CHARGE**

Pursuant to Executive Order No. 11 executed by Governor Chris Christie on February 2, 2010 (the “Executive Order”), the Advisory Commission is charged with “developing recommendations for...a comprehensive, statewide approach regarding the issues and financial needs of New Jersey’s gaming, professional sports, and entertainment industries and making proposals for the implementation of its recommendations.” More particularly, the Advisory Commission is expected to focus on the following issues:

- The ongoing financial viability of the New Jersey Sports and Exposition Authority (the “NJSEA”).
- The advancement or otherwise resolution of the stalled Xanadu project in the Meadowlands.
- The perceived need to improve the competitiveness of the gaming industry in Atlantic City.
- The perceived need to ensure that New Jersey’s horse racing industry becomes self-sustaining.
- The perceived need to engender a spirit of cooperation among New Jersey’s major entertainment venues – particularly in the realm of scheduling – to ensure that competition among them is not counterproductive to their financial success.
- Such other matters as may be referred to the Advisory Commission by the Governor.

In addition to providing the Commission with a focus for its work, the Governor also provided a number of guiding principles:

- A healthy and viable entertainment industry is crucial to the State's economy and provides funding for many essential programs that enhance the way of life of its citizens.
- In developing its recommendations, the Advisory Commission shall carefully consider the State's long-term economic interests and this Administration's commitment to ensuring that the State's resources are managed responsibly for the benefit of the citizens of New Jersey.
- The unprecedented challenges confronting New Jersey's gaming, professional sports, and entertainment industries are both financial and structural and require immediate and decisive action.
- The regulatory system for New Jersey's gaming industry should be reviewed in light of the Administration's focus on regulatory modernization and reform.
- Financial losses of the NJSEA must not be allowed to continue.
- Financial and structural problems facing the gaming, professional sports, and entertainment industries are interrelated and the self-interest of any one cannot override the interest of the citizens of the State.
- In formulating its recommendations, the Advisory Commission shall elicit public input from individuals, organizations, community groups, and other interested parties.
- The Commission's report will serve as a blueprint to guide state policy in correcting the sports and entertainment infrastructure and to make all of its parts self-sustaining, attractive to a wider audience, and income positive for the long term.
- In addition to producing a long term plan, the Commission must also be working in real-time to move quickly to solve contractual and other issues the state will confront in the short term.
- The Plan may call for the total elimination of entities that are based on deficit spending and are no longer relevant to the healthy future of New Jersey.

## B. ADVISORY COMMISSION'S INITIAL GENERAL FINDINGS

In addition to assumptions and guiding principles provided by the Governor in his charge, the Commission proceeded on the basis of a number of preliminary findings:

### ECONOMIC ENVIRONMENT

- The New Jersey economy is in one of the worst recessions in recent memory.
- New Jersey unemployment is at a level of nearly 10%.
- New Jersey began 2010 in a state of fiscal crisis and significant cuts in the State budget and state aid were required to balance the FY11 State budget.

- NJSEA can no longer support losses in the racing business due to reduced racing revenues and lost stadium revenue (\$20.0 million annual impact), which is a result of the State's decision to privatize stadium ownership and operations.
- The stadium agreement eliminated the NJSEA's economies of scale relative to operating both an arena and a stadium.
- The casino industry has stated that it will no longer support horseracing through purse supplements.
- The State would be hard-pressed to financially support the horseracing industry in the current economic environment.

### C. THE REPORT

The Report has been divided into six sections. Section I relates to a real-time issue involving a dispute between the State of New Jersey and the New Jersey Nets relative to the Nets' lease at the IZOD Center. Sections II through VI correspond to the five major issues set forth in Executive Order No. 11. While individual Commission members may have been primarily responsible for organizing information related to a particular issue, the Report should be read as a Report of the Commission as a whole.

For each major issue, the Commission articulates material assumptions made, provides a restatement of the Commission's objective with respect to the issue, makes findings as to current facts and circumstances, and offers specific recommendations. In this latter regard, recommendations may be for state action by the executive branch, state action by the legislative branch, or action by the industry in question. Recommendations for industry action may be linked to proposed state action as an inducement for the private action or the private action may be encouraged as an appropriate business or civic response. In some instances, recommendations will be offered in the alternative with an assessment of the likelihood of success for each option proposed.

The Report will be made available to the New Jersey Legislature and to the public, as required by Executive Order No. 11, and the Report incorporates the work of the Governor's Commission on the Horse Racing Industry created by Executive Order No. 133 on March 3, 2009, also required by Executive Order No. 11.

## II. NEW JERSEY NETS' LEASE at the IZOD CENTER

### A. BACKGROUND

Among a number of issues that needed to be addressed in real-time was the question of the status of the New Jersey Nets' lease at the IZOD Center. The lease was scheduled to expire at the time of the Nets' last home game of the 2012-2013 season. Toward the end of the

Corzine Administration, the Nets expressed a desire to end the lease early and to possibly move to the Prudential Center in Newark, presumably until such time as the team's proposed Brooklyn facility is ready for occupancy. This issue is inextricably related to the issue dealt with later in this Report at Section VI – the need to engender a cooperative relationship among New Jersey's major entertainment venues. In this case, moving the Nets out of the IZOD Center and into the Prudential Center – even if only on a temporary basis – will begin to identify the Prudential Center as the “sports” venue and the IZOD Center as the concert and family entertainment arena.

As a condition of their lease, if the Nets were interested in leaving the IZOD Center prior to the expiration of the lease term, they were obligated to inform the NJSEA by January 1, 2009. Similarly, if the team wanted to play in an arena other than the IZOD Center for the 2011-2012 season, notice of that intention needed to be given to the NJSEA by December 31, 2009. The lease provides for substantial monetary penalties for early termination or if notice requirements are not met. These penalties could amount to as much as \$7.5 million. In order to provide the incoming Governor with time to evaluate this matter, the December 31, 2009 deadline was extended to February 28, 2010.

#### B. LEASE NEGOTIATIONS AND AGREEMENT

Immediately following its creation, the Advisory Commission engaged the Nets in negotiations to resolve the IZOD lease matter. These negotiations appear to have produced satisfactory results for all concerned. Principal elements of the agreement can be summarized as follows:

- For a fee of four million (\$4,000,000) dollars to be paid to the NJSEA over the next two years the Nets will be permitted to opt out of the IZOD lease.
- The Nets will play home games for the 2010-2011 and 2011-2012 seasons in the Prudential Center in Newark.
- The Nets have agreed to support the potential of another NBA team locating to New Jersey, if and when the Nets leave the state.
- The Nets will share the Prudential Center with the New Jersey Devils organization which operates the facility leased from the City of Newark.
- The \$4 million fee may be offset by various credits, including 1) up to \$250,000 each year for the guarantee of proceeds to the benefit of Symphony Hall, an historic entertainment venue located in the City of Newark; 2) up to \$100,000 each year for the leasing of two Prudential Center suites to the NJSEA, one during Nets games and one during all other events (these suites should be reserved for persons with whom the NJSEA has a business relationship and should otherwise be monetized for the benefit of the State); and 3) up to \$100,000 each year in advertising credits.

Early reactions to the Nets deal have been positive. Devil's Management applauded the

deal and expressed enthusiasm for the Nets' arrival at the Prudential Center. This expression of enthusiasm seems to implicitly represent an easing of the tension between the IZOD Center and the Prudential Center as competing entertainment venues existing just twelve miles apart. Prior to the new arrangement, it appeared that Devil's Management wanted only to see the IZOD Center closed, despite declining revenues. The deal has also been enthusiastically embraced by the New Jersey Nets who in part see the arrangement as providing an opportunity to exploit new markets in the wake of severely declining attendance at the IZOD Center. The reasonableness of this enthusiasm is supported by promising levels of ticket sales for both pre-season and late-season games played by the Nets at the Prudential Center. Finally, the deal can be enthusiastically embraced by the State. Much needed revenue will inure to the State both as a result of the opt-out fee paid by the Nets and as a result of the Nets' presence in the State over the next two seasons. Financial support has been directed to the State's most historically significant entertainment venue and the potential for attracting a new NBA franchise has been preserved.

### **III. THE ONGOING VIABILITY OF THE SPORTS AND EXPOSITION AUTHORITY**

#### **A. BACKGROUND**

In his charge to the Commission, Governor Christie included a tenet that financial losses of the New Jersey Sports and Exposition Authority must not be allowed to continue. The level of financial losses for the NJSEA is approximately \$30 million/year.

In 1971 the New Jersey State Legislature enacted Governor William Cahill's idea to establish the Sports and Exposition Authority to build and operate the Meadowlands Sports Complex, including Giants Stadium and the Meadowlands Racetrack. The IZOD Center, then known as the Byrne Arena, was added in 1981.

Over the years, successive governors and legislatures expanded the NJSEA mission to include Monmouth Park racetrack in Oceanport, the new Atlantic City Convention Center, the Historic Atlantic City Convention Center and a new convention center for the Wildwoods. The NJSEA constructed the Thomas H. Kean State Aquarium at Camden (operations have since been privatized and the facility has been renamed Adventure Aquarium) and renovated the Rutgers University football, track and field and soccer/lacrosse facilities.

The NJSEA has entertained hundreds of millions of people from all over the world. It has hosted concerts, sporting events, trade shows and conventions, and has even hosted a mass celebrated by Pope John Paul II before a record crowd of over 80,000 people.

In addition to hosting the Giants and the Jets at Giants Stadium from 1977-present, the NJSEA has in the past hosted the Cosmos of the North American Soccer League (NASL), 1977-1984, the New Jersey Generals of the United States Football League (USFL) from 1983-1985,



and the New York/New Jersey Knights of the World League of American Football (WLAF) from 1991-1992.

In addition to hosting the New Jersey Nets at the IZOD Center, the NJSEA has hosted the New Jersey Devils of the National Hockey league (NHL) from 1982-2007 and the New Jersey Red Dogs/New Jersey Gladiators of the Arena Football League (AFL) from 1997-2002.

## B. ANALYSIS AND RECOMMENDATIONS

The NJSEA performs two primary functions: (1) the asset management and operations of the various venues described above, and (2) the operation of an off-track wagering (“OTW”) parlor in the City of Woodbridge. The Authority also has a contract to acquire land for the development of an off track wagering parlor in the City of Bayonne.

Rather than dwell on mistakes made as a result of decisions made by the NJSEA and others, the Commission instead has focused on the positives of the Sports Complex:

- Premier location consisting of 750 acres with 4-way access.
- On-site rail service with a Meadowlands Station stop.
- State-of-the-art football stadium (not owned by NJSEA).
- Home of the 2014 Super Bowl.
- Likely home of a world class entertainment and retail center (“Meadowlands,” currently known as “Xanadu”).
- Potential for on-site hotel and office complexes (adjacent to Meadowlands/Xanadu).
- Potential for privatization of the Meadowlands Racetrack or re-use of the facility and the 123 acres on which it is situated.

With respect to the future of the NJSEA, the Commission recommends the following:

- Current cash reserves of the NJSEA (which are in excess of \$50 million) should be used to offset operating expenses. Without state subsidy, NJSEA reserves should be at \$5 million by December 31, 2010 (according to an independent auditor) if they are used to offset current operating expenses. NJSEA must be encouraged to create and maintain a break-even budget.
- 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 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 for up to three years at \$1.00/year (all expenses for the facility would be the responsibility of the standardbred owners). This concept is more fully developed in Section V below.
- After March 1, 2011, the NJSEA should endeavor to monetize the value of the personal seat licenses (“PSLs”) it purchased from the Giants and the Jets with its current and future business partners.
- The IZOD Center should remain open with better communications and coordination with other public and private entertainment venues (see Section VI below for more detail).
- At this time the Commission does not recommend any change in the gaming policy as it pertains to the Meadowlands Sports Complex.

There are also significant implications for the future of the NJSEA contained in Commission recommendations related to other aspects of this report.

#### **IV. THE ADVANCEMENT OR OTHERWISE RESOLUTION of the STALLED XANADU PROJECT**

##### **A. BACKGROUND**

The Xanadu Project consists of a three-story entertainment and retail complex located in the New Jersey Meadowlands adjacent to the newly constructed Meadowlands Stadium to be owned and occupied jointly by the Giants and Jets of the National Football League. The project is being constructed on land owned by the New Jersey Sports and Exposition Authority and leased to the development group pursuant to a 75 year ground lease. As part of the development negotiations, the first fifteen years of the lease were satisfied as part of a \$160 million prepayment to the NJSEA. As a result of the prepayment, the first cash rent payment is not due until 2021. In addition to lease payments, the development group agreed to make payments in lieu of taxes (“PILOTS”) to the Borough of East Rutherford through the NJSEA commencing on the project’s opening day. PILOTS are scheduled to begin at \$1.85 million and escalate to \$9.85 million over time.

Originally scheduled to be completed and opened in 2007, Xanadu was envisioned to be one of the largest entertainment and retail complexes in the United States with over 2,200,000 square feet of rentable space.

The project was originally developed by the Mills Corporation. In 2006, the Mills Corporation sold its interest in the project to a group led by Colony Capital. In addition to equity financing, Colony Capital arranged for debt financing of approximately \$1 billion. As reported by the Transition Committee, the credit crisis and deep recession had a disastrous impact on the project's viability. For example, some members of the lender group went bankrupt, rendering them unable to honor their commitments. As a result, Colony and the lenders reached an accord that 1) froze the loan package at \$521 million; 2) provided \$140 million in cash to continue development; and 3) allowed Colony until March 31, 2010 to raise approximately \$600 million in private debt capital senior to the existing lenders. Colony spent the summer of 2009 trying to raise the required capital, but was unable to do so on commercially viable terms.

Early in 2010, Colony Capital agreed to venture with The Related Companies ("Related"). Located in Manhattan, Related has an impressive and proven track record that resonates comfortably with the Meadowlands' mix of retail and entertainment uses. Together, Colony Capital and Related have been refining the operating model; re-branding the project as "The Meadowlands;" evaluating options to improve the exterior's appeal; and meeting with potential tenants, as highlighted by a major presentation and booth at the trade show of the International Council of Shopping Centers ("ICSC") held in Las Vegas, Nevada. Additionally, other developers are now indicating an interest.

The mall structure, which includes a fully operational indoor ski slope, is complete. Parking decks are also complete with an overall capacity of several thousand vehicles. The status of leases with anchor tenants is uncertain. New Jersey Transit has completed the Meadowlands Station at the complex as part of the Pascack Valley Line extension to the Meadowlands Sports Complex. Studies are underway to also include an extension of the Hudson-Bergen Light Rail line to the Meadowlands.

To date, approximately \$2 billion has been invested in Xanadu/Meadowlands, and current estimates of the amount needed to complete the project are in the range of \$875 million. Related and Colony have stated that the project cannot be completed without public sector involvement of some kind and have, therefore, been in discussions with members of the Commission and with state agencies, such as the N.J. Economic Development Authority, in an effort to come up with a tax-exempt financing plan adequate for completion and opening of the facility.

## B. IMPACT ON NEW JERSEY

Benefits associated with locating a world class entertainment and retail complex in the Meadowlands are extensive and varied, but not totally predictable. The most predictable benefits include the following:

- A significant cash flow to the NJSEA.

- Significant payments in lieu of taxes to the Borough of East Rutherford through the NJSEA (the Borough of East Rutherford has indicated to the Commission that they intend to seek additional PILOTS).
- Creation of over 9,700 full time equivalent jobs (over 4,400 direct jobs and over 5,300 indirect jobs), during the development period
- Upon Completion, direct wages in excess of \$120 million a year paid to 4,000+ full time equivalent jobs.
- Annual taxes In excess of \$65 million attributable to direct and indirect expenditures during the development period.
- Taxes In excess of \$48 million, generated by landlord and tenant operating expenses.

### C. OBSERVATIONS AND RECOMMENDATIONS

The Commission focused on three primary issues related to the Meadowlands project: 1) the ability of the current development group to garner sufficient funds to complete the project; 2) the financial viability of the project when completed; and 3) the project's overall appearance.

With respect to prospects for identifying funds sufficient to complete the project, today an adequate financial package can be put in place if, and only if, the package includes some level of tax-exempt financing. In this regard, the Commission recommends that the State focus on two potential tax exempt financing options: Recovery Zone Facility bonds ("RZF bonds") and Economic Redevelopment and Growth Grant Program bonds ("ERG" bonds"). New Jersey has a total allocation of \$376 million in federally backed RZF bonds, of which \$46 million has been allocated to Bergen County. A tax exempt RFZ bond financing can result in considerable savings in interest costs when compared to conventional financing. Use of RFZ bonds is time sensitive since the American Recovery and Reinvestment Act is currently scheduled to sunset at the end of 2010.

ERG bonds can be supported by a pledge of up to 75% of the incremental taxes attributable to a project over a period of twenty years. A major advantage of this financing option is the fact that the bonds would not be an obligation of the project or of the State but rather would be supported solely by the incremental taxes.

In addition to the viability of tax exempt options to fill financing gaps, the Commission is hopeful the existing lenders and one of the interested developers will reach an accord so that a viable capital plan for project completion can be implemented forthwith.

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, 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, which may mean substantially subordinating all lenders' and owners' rights to those of any new lenders.
- The project should be completed consistent with the charter of an entertainment-oriented complex.
- 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 .

With respect to the appearance of the project, the Commission has reviewed current plans that call for a new and more attractive façade and exterior landscaping intended to better fit the project to its surroundings. The attractive and upscale appearance of the interior of the building already engenders a reaction quite unlike the reaction to the building's exterior.

Should the project not move ahead with Related and Colony, or another qualified party 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.

## **V. IMPROVEMENT OF THE COMPETITIVENESS OF THE GAMING INDUSTRY**

### **A. BACKGROUND**

The New Jersey casino industry is at a critical crossroads which threatens its role in the State's economy. 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 freefall, 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.

## B. CAUSES FOR DECLINE

The immediate cause of the downturn in Atlantic City has been a combination of the emergence of new convenience gaming options in neighboring states and the economic recession. In addition to disappointment associated with a downturn in the casino industry, disappointment can also be expressed with respect to the unfulfilled promise of casino gaming significantly improving the physical and economic condition of Atlantic City.

While blame for Atlantic City's distressed physical condition can be ascribed to numerous stakeholders, including the gaming industry, certain contributing factors are particularly troublesome:<sup>1</sup>

- The perception of the City as unclean and unsafe, and the failure of City government to effectively address such concerns (including blight and the overall image of the City) at any level or to work effectively with the industry to create a tourist-friendly environment.
- The City's fiscal mismanagement of the large tax base provided by the industry (as much as \$175 million/year in property taxes alone). Atlantic City spends almost four times as much per capita than comparable New Jersey Cities, such as Edison, Long Branch, and New Brunswick.
- 2003 audit results, which reveal that staffing in Atlantic City per 1,000 residents was twice the level of benchmark cities like Orlando and Norfolk.
- The absence of a visible police presence or effective law enforcement on the Boardwalk.
- The absence of evidence of a Master Plan that addresses the primary tourist area or the large swaths of urban blight surrounding the tourist area.

In addition to expanded sources of competition, other more manageable factors have contributed to Atlantic City's economic decline.<sup>2</sup>

- Underinvestment by the casino industry in development of non-gaming amenities, attractions and surrounding areas appropriate for a "destination resort."
- An outdated regulatory process marked by both high costs and the inability to attract development activity by other world-class ownership to the New Jersey market.

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<sup>1</sup> A more extensive review of Atlantic City's government operations can be found in a Report entitled, "Atlantic City, A Performance Audit of Financial Management Practices," by State Comptroller A. Mathew Boxer, dated January 27, 2010.

<sup>2</sup> A view of the Atlantic City gaming industry's recognition of past failures and its ideas for improvement going forward can be found in a document prepared by McKinsey & Co. entitled, "The NJ Gaming, Sports and Entertainment Advisory Commission: Revitalizing Atlantic City," dated June 9, 2010.

- Lack of coordination in positioning and marketing Atlantic City as a competitive tourist resort.
- Failure to effectively attract meeting and convention business to Atlantic City and to integrate such business with the existing destination resort hotels.

### C. ANALYSIS AND RECOMMENDATIONS

In the face of such challenges, it is reasonable to ask if Atlantic City gaming is “save-able.” The Commission concludes that it is save-able and worth making the effort for a number of reasons. First, Atlantic City continues to have a critical mass with eleven significant casino properties serving millions of customers and generating the taxes and revenues noted above. Just as importantly for the future, Atlantic City continues to resonate with customers based on its history and unique beach location, despite its shortcomings. Research provided to the Commission by McKinsey & Co. indicates that the Atlantic City “brand” still has value with customers, and if the reality met customers’ expectations, there would be sufficient latent demand to more than double Atlantic City’s revenues in the medium term. The Commission is also encouraged by the economic success enjoyed by properties where proper investment has been made, including the Borgata, the Walk, Harrah’s and Taj Mahal, all of which are generating encouraging results. It appears that in Atlantic City, customers will come to quality offerings.

However, the status quo is not workable. In simple terms, almost every potential Atlantic City customer has a closer, more convenient place to gamble. If Atlantic City cannot provide reasons for customers to make the trip, its decline will continue. Atlantic City has no choice but to try to reestablish itself as a true “destination resort” against its new convenience gaming competitors in surrounding states. Meeting this challenge will require aggressive actions by both the public and private sectors. At stake are thousands of direct and indirect jobs, thousands of ongoing construction jobs for the building trades, hundreds of millions of dollars in state and local taxes, billions of dollars in spending on New Jersey business and construction and other key economic benefits.

The State’s goal should be to create a framework in which the private sector will want to invest. This in turn will increase jobs, capital investment and tax receipts, thereby putting Atlantic City back on a growth trajectory. In forming the objectives to strengthen the casino industry and establish for it a sound competitive position for the 21<sup>st</sup> century, the Commission has focused on the following seven goals:

- 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. These operators should be committed to supporting both their properties and the District.
- 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 21<sup>st</sup> 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.

To accomplish these goals the Administration should assume a leadership role to bring the various public and private stakeholders together with the legislature and others to move forward with the following core initiatives:

**1. Creation of an Atlantic City Tourism District**

Following models established in other parts of the State, such as the Meadowlands Reclamation and Development District, the Administration should support legislative enactment of an Atlantic City Tourism District (the “ACT District”) with representatives from State, City, County and Industry. The ACT District will assume full and complete control of certain governmental activities and operations within a defined Tourism District covering the casino areas and Boardwalk, as well as jurisdiction over related amenities and infrastructure. To ensure that those functions are carried out in the best interest of the public, the Commission would place three functions squarely with the ACT District:

- Certain governmental functions currently managed by the City and the Casino Reinvestment Development Authority (“CRDA”) in designated areas with a charge to oversee “Clean and Safe” initiatives including security within the District.
- All government aid to development within the District, including eminent domain, financing issues for development, flow of various funds, zoning, traffic flow, services, etc.
- Control and oversight of assets and responsibilities of the Atlantic City Convention and Visitors Authority (“ACCVA”), including Boardwalk Hall and the Convention Center as well as the ACCVA responsibilities over the Atlantic City marketing and convention activities.



## 2. Public-Private Partnership (the “Partnership”)

The government should establish a structure for a Public-Private Partnership with state and local government, the casino industry, and the greater Atlantic City community all represented. The new ACT District Commission would assume the role of the public component. The Commission recommends that the private component be represented by the Atlantic City Partnership (“ACP”) – a local consortium of businesses modeled after the Johnson and Johnson-led structure that has proven successful in the revitalization of the City of New Brunswick. The Commission believes the ACP should include a broad base of Atlantic City’s business sector. The partnership should continue to be called the ACP and it should be headed by a CEO with a small staff who will be responsible for the following:

- Development of the “Master Plan,” with appropriate recognition that private capital must be freely invested and will be wary of government direction of economic development. The Commission hopes the Partnership will strongly consider some of the ideas in the model shared with the Commission by the ACP including:
  - Expansion of the Boardwalk area to reflect a true New Jersey Boardwalk experience – potentially including many of the leading Boardwalk purveyors who are present in Cape May, Wildwood and Ocean City boardwalks;
  - More effective use of marina facilities;
  - Development of a South Boardwalk;
  - Development of other improvements, such as Boardwalk rides, a NASCAR track, a drive-in theater, etc.
- Facilitating investment and development by ACP and third party investors in the Tourism District.
- Coordinating with the ACT District to expedite “Clean and Safe” initiatives.

## 3. Coordinating Marketing, Boardwalk Hall and Convention Business Between ACCVA and ACP

Efforts should be made to encourage marketing “Atlantic City” as a brand. These efforts should include more joint industry efforts throughout the City, including efforts to increase use of Boardwalk Hall and efforts to capture a larger share of convention business. Efforts should also focus on removing inefficiencies in the current ACCVA structure that were identified by the Governor’s Transition Team Reports and on redirecting funds to the collective good of the public-private partnership.

## 4. Legislative Enactment of Regulatory Reform

Costs of New Jersey regulation are almost ten times those in Nevada and other mature gaming jurisdictions with strong, effective regulation. In 1978, 24/7 inspectors and built in regulatory redundancies made sense, but with the increased sophistication of camera

surveillance, information technology, and audit abilities, they are unnecessary now. Furthermore, these outmoded concepts and a licensing procedure that is unnecessarily adversarial have made the market less attractive to many respected world class operators. The Commission recommends a significant regulatory restructuring, with the Casino Control Commission focused solely on a judicial function and with the Division of Gaming Enforcement (a division of the Attorney General's Office) focused on all regulatory, law enforcement and day-to-day activities. All industry savings from 2010 regulatory spending should be directed to the collective Atlantic City Public-Private Partnership. Estimates suggest that this could result in a fund of \$15 million to \$25 million annually for the marketing and expansion of Atlantic City.

#### 5. Establishment of a Joint Atlantic City Marketing Fund

Once the ACT has gained traction on the initiatives above, it should work with the ACP to establish a fund dedicated to marketing the City, as compared to current marketing efforts with a limited \$4 million spending limit. This effort will be primarily funded and led by private industry with expert marketing personnel focused on driving increased visitation through a more robust marketing strategy in target markets. It will also focus on creating significantly more joint industry-community events within the City that will be marketed in the region, such as food and wine festivals, music festivals, special events such as Mardi Gras in Atlantic City and the like.

#### 6. Transport

To contribute to the goal of making Atlantic City a destination resort, the Atlantic City International Airport needs to be expanded in terms of service – e.g., more airlines and additional intermodal connections – and in terms of its physical plant through capital improvements.

ACT should work on methods to attract potential customers through the existing capacity of Atlantic City International Airport as well as through additional intermodal opportunities. ACT should also work on redesigning traffic flow within Atlantic City to achieve modern traffic configurations that will vastly improve ground transportation between the casinos and the neighborhoods.

#### 7. Related Issues

The Commission also considered whether the State should entertain gaming outside of Atlantic City at this point in time. Given the importance of the industry to the State, as well as the need for meaningful reform to foster sustainability and, hopefully, growth, this issue is best considered in the future when either: 1) the transformation of Atlantic City to a more destination-oriented model has meaningful enough traction to compete with in-state rivals; 2) Atlantic City stakeholders support additional outlets; or 3) the new model is deemed to have failed.

The Revel project, which does not as yet have a gaming license, is a \$2.5 billion casino currently under construction in Atlantic City. The project's size of more than six million square feet will make it the largest single property in the State of New Jersey. Once completed, Revel will provide more than 5,500 jobs. Private sources have invested over \$1.3 billion to date. However, the project has been unable to secure full capitalization and, as a result, its completion and opening are uncertain. As a way to assist the completion of this major potential employer, the Governor has signed legislation making amendments to the ERG statute that would provide a portion of future tax receipts, generated upon opening, to complete and upgrade infrastructure work. Such infrastructure might include roads, utilities and public space amenities, both on-site and in the neighborhood of Revel. The opening and success of this major new employer is important for both Atlantic City and the rest of the State.

The Commission has also discussed the issue of interstate Internet Gaming and sports betting in general as a possibility for the State of New Jersey. Given the current state of federal laws in these areas, the State should not expend resources pursuing these currently prohibited options. On the other hand, the State should monitor the status of the law and revisit these issues at such time as the law is changed. Further legal analysis is needed to evaluate whether in-state Internet Gaming operating with a hub in Atlantic City is feasible at this time.

The Commission firmly believes that if all parties work together on the Commission's recommendations and if the stated initiatives could begin within the next six months, New Jersey's resort destination model will make immediate strides at reestablishing market share and better distinguishing itself from the convenience gaming of bordering states. Change will not happen overnight. However, positive change will come as 1) "Clean and Safe" initiatives go into effect; 2) the industry and other stakeholders jump start the joint marketing and spending events; 3) the ACT District Commission, ACP and state bodies move forward with a coordinated approach to cleaning up blight and developing more non-gaming oriented attractions; and 4) a tourist-friendly approach is adopted by all in the Public-Private partnership.<sup>3</sup>

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<sup>3</sup> The Advisory Commission is aware of Senate Bill No. 1866, the proposed legislation that would reduce the 500 hotel room minimum requirement for operating a casino in Atlantic City under current law and permit the Casino Control Commission to issue a limited number of new licenses to casino operators with as few as 200 hotel rooms. This proposed legislation has been discussed in news reports and has been brought to the attention of the Commission in connection with its assessment of the issues confronting Atlantic City. Two of the members of the Advisory Commission have interests which may be impacted by this proposed legislation. Accordingly, in an effort to avoid even the appearance of impropriety and to preserve the integrity of the Advisory Commission's overall recommendations, the Advisory Commission has decided not to evaluate or to make any recommendations concerning this proposed legislation.

## **VI. CREATION OF A SUSTAINABLE INDUSTRY STRUCTURE THAT WILL PRESERVE LIVE HORSERACING IN NEW JERSEY THAT DOES NOT REQUIRE EXTERNAL FUNDING**

### **A. BACKGROUND**

The Advisory Commission has concluded that the current racing industry model in New Jersey had been rendered economically unsustainable some time ago. The principle indicator of this economic failure is that live racing has for some time been subsidized by unrelated financial sources. In addition, a careful review of the economics of racing at both the Meadowlands Racetrack and Monmouth Park reveals a racing product that is hamstrung by outdated legislative and regulatory oversight.

The horseracing industry is at a crossroads. There is insufficient product to meet the demands of racetracks and insufficient quality to meet the demands of bettors. It is the Commission's belief that major and dramatic changes need to be made to racing, including shorter meets, higher purses and larger fields for racing. These changes would result in a reduced but higher quality product which will ultimately result in better outcomes rather than a diluted product. These better outcomes will be reflected in higher wagering and thereby create greater purses.

### **B. FINDINGS AND RECOMMENDATIONS**

The Commission reviewed the current competitive environment for horseracing in the region and developed the following findings:

- In 1977 the New Jersey racing industry held an 81% market share for legalized gaming. By 2008 market share had dropped to less than 2%. This drop in market share can be attributed for the most part to the State's decision to approve casino gaming for Atlantic City and the subsequent approval of casino gaming in neighboring states.
- The New Jersey racing industry cannot compete long-term with the New York and Pennsylvania purse structures or breeders incentive programs funded by racino revenues.
- Pennsylvania racing interests that control horseracing in Freehold and Atlantic City are more inclined to protect their Pennsylvania interests than to do what might improve the New Jersey racing industry. This posture has also impeded the growth of New Jersey's off track wagering ("OTW") network.
- Current OTW legislation adds an unnecessary layer of approvals at the municipal level. OTW applications should be treated like any other commercial development with respect to permits and approvals.
- The excessive costs of stabling beyond the Monmouth meet need to be mitigated.

- A racino is planned for Aqueduct Raceway in the near future.

In addition to its initial findings, the Commission’s recommendations regarding the racing industry are based on a number of important assumptions:

- Legislation necessary to implement the Commission’s recommendations can be secured.
- The New Jersey Racing Commission will agree to and can survive a 50% budget cut (the Commission is funded by the racetracks).
- A short boutique summer meet at Monmouth Racetrack has the potential to become profitable over time with the right purse structure.
- Monmouth Park Racetrack has near-historic landmark status in the eyes of the general public and has established itself as a viable summertime family entertainment option that appeals to a broader segment of the public than just big bettors (early results prove this theory).
- Harness racing has become a regional niche sport with limited national media attention.
- Thoroughbred racing resonates on a national level primarily during the time of the Triple Crown, Breeders Cup, and a few special races during short boutique-type racing meets.
- There needs to be a complete renegotiation of purse revenue distribution to reflect the changes that are occurring in account wagering and OTW wagering.
- The financial arrangements which currently exist in racing statutes (some of which date back to the 1960s) need to be reviewed and simplified.
- This year’s 50-day meet includes purse enhancement monies from the Casino Association of New Jersey and from thoroughbred and standardbred owners which will not be available in the future.
- The Meadowlands Racetrack no longer resonates as a viable entertainment option to large segments of the population, except on major race days.
- The NJSEA budget cannot support two losing live race operations.
- The New Jersey racing industry cannot earn enough purse monies on its own to sustain two breeds in the State.
- The thoroughbred element of New Jersey’s racing industry will agree to forego the NJSEA’s \$4.7 million annual purse contribution.

In an effort to test its assumptions, the Commission recommended immediate implementation of a short term plan – intended to be experimental in nature – to provide a basis for recommendations for the long term.

1. 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.

a. Background

The NJSEA is legislatively mandated to run 141 days of thoroughbred racing each year. Over the past few years, the NJSEA’s racing division has been substantially affected by surrounding competition in Pennsylvania, Delaware and New York due to the large VLT (slot machine)-generated purse revenues. The racing product at Monmouth and the Meadowlands has failed to improve and was averaging just above seven starters per race - one of the lowest averages in the country. This schedule does not work and needs to be changed to improve the overall racing product. Higher purses will result in better competition, which will in turn result in increased attendance and higher wagering.

b. Financials

NJSEA projections for the proposed 50-day meet include a neutral net profit (at a 20% increase in Monmouth handle) when compared to the current 141 days at Monmouth Park and the Meadowlands. NJSEA projections also include increases in both attendance and wagering of fifteen to twenty five percent. With the elimination of ninety-one days of racing (including the entire Meadowlands thoroughbred meet), the consolidation will allow for an increased number of races per day (estimated at two races), as well as improved field size and quality of horses. These factors will entice the wagering customer, not only on site, but around the country, to pay closer attention to the Monmouth racing product. The outcome should be similar to the “Saratoga effect,” where patrons are particularly attracted to the product because of the quality of the competition.

c. Industry Standing

The 50-day meet will have a positive and lasting effect on the industry by proving that a high quality smaller product will ultimately result in better outcomes than a diluted product. These better outcomes will be reflected in tracks retaining higher handle and horsemen receiving more for purses.

d. Risk

A change as dramatic as that represented by the 50-day meet does not come without risk. The New Jersey Thoroughbred Horseracing Association (the “NJTHA”) is being asked to eliminate 65% of its race days. In return, the NJTHA is requiring the NJSEA to guarantee a minimum of \$45 million dollars in purses, with a potential supplement of \$5 million dollars from

other sources, for a total of \$50 million dollars in purses. If wagering projections are not reached, the NJSEA is at risk to provide the shortfall in purse dollars guaranteed. Wagering projections are moderately conservative, and very achievable. On the other hand, weather and certain economic factors are unpredictable, and the casino purse enhancement will not be available in the future.

NJSEA will need to restructure its operations to adjust to the consolidated racing schedule. For example, there will likely need to be continued reductions in part-time staffing due to reductions in summertime work demands. Because all operations will be condensed into just fifty days, it is imperative that all revenue sources are maximized – food and beverage, group admissions, general admissions, parking, reserved seats, etc. Any opportunity not maximized will represent an impediment to reaching projected goals.

e. Conclusion

The proposed fifty-day meet will be viewed in the racing industry as one of the most significant experiments in thoroughbred racing. This plan is unprecedented in the way it involves a major racing organization and a horsemen's association drastically altering their existing race schedule and collaborating on a race meet of national stature. It is what all fans of sports demand – a high quality product. In the end, the plan should inure to the benefit of all concerned and lead to a better future for thoroughbred racing in this State and throughout the country. To reach desired goals, a number of legislative changes need to be made. The current statutorily required number of race days must be eliminated; OTW legislation must be amended to make locating facilities easier while still respecting the local planning process; more flexibility should be given to the Racing Commission to control the number of racing days; drug testing should be contracted out by way of a request for proposals. The Monmouth Park meet, while historically and economically significant, will not be enough to save New Jersey's racing industry. Many other issues need to be resolved including a review of existing pension obligations with race track unions under their collective bargaining agreements.

One issue that inevitably arises in the context of a discussion about New Jersey's racing industry is the possibility of placing VLTs (slot machines) in the Meadowlands to provide an additional source of funding for purses which, it is argued, would in turn contribute to the sustainability of Meadowlands racing. This idea has a number of drawbacks: 1) such a move would likely require amending the state constitution; 2) the move would take several years to accomplish and time is already of the essence for the racing industry; and 3) the existence of casinos, racinos and slot machines in Delaware, Pennsylvania and New York further exacerbates the problem.

Freehold Raceway represents an additional challenge because it is privately owned in a 50-50 partnership between Greenwood Racing and Penn Gaming. There is, currently, for example, litigation between the parties on the matter of their OTW strategies.

## 2. Potential Options for the Future

### a. OPTION 1: Thoroughbred racing at Monmouth and Atlantic City

This option would eliminate harness racing and thereby remove the largest portion of NJSEA's financial losses. Other elements of this option might include the following:

- Conduct a 50-71-day meet at Monmouth Park and potentially 10 days of turf racing at Atlantic City.
- Allow Freehold to retain its OTW license and its right to build additional OTW parlors. If Freehold declines its option to build additional OTW parlors, the license would revert back to the NJSEA (time frames must be established).
- Have the NJTHA agree to drop the contractual requirement for the NJSEA to pay \$4.7 million toward purses.
- Create a special fund for standardbred awards for owners and breeders that win races out of state.
- Convert the front paddock area at the Meadowlands into a 50,000 square foot OTW parlor and utilize the remaining paddock space for NJSEA office space.
- Assume the Bayonne OTW parlor to be operational in 2012; assume one additional OTW parlor to be operation in 2013 and one in 2014 with rents above Woodbridge and below Bayonne, square footage the same as Woodbridge and handle projected at \$71 million.
- Treat all future OTW parlors as renovations.
- Develop a reuse for the Meadowlands racetrack consistent with sports, entertainment or other public events or facilities.
- Grow account wagering by 3% - 4% a year for the next five years.
- Remove Freehold from a share of account wagering profits based upon an agreement that Freehold will retain and build out their OTW licenses. There is currently a 70% - 30% split between Freehold and NJSEA with NJSEA being responsible for operating the entire business.

### b. Option 2: Thoroughbred Racing at Monmouth and potentially 10 days at Atlantic City and 70 standardbred dates at Monmouth.

This option would relocate a shorter standardbred meet from the Meadowlands to Monmouth Park:

- Legislation would be needed to change race dates as well as rules governing OTW parlors and account wagering.
- Thoroughbred horsemen would have concerns about this option due to a real or perceived change in the racing surface.
- Negotiations to rearrange live racing from Freehold would be challenging.



- There would be additional costs to add lights (track, building and parking lots) to Monmouth Park to allow for night racing.
  - A front paddock would have to be added at Monmouth to allow for standardbred racing. The estimated cost of this addition is \$8 million - \$12 million.
  - Additional winterization of Monmouth may be necessary.
  - Two harness tracks would be competing in the same market.
- c. **OPTION 3:** Lease the Meadowlands Racetrack to the standardbred horsemen for \$1 dollar a year for three years with early termination rights and an equity-based share of the Bayonne OTW parlor.

This option provides the Standardbred Industry the opportunity to continue racing at the Meadowlands:

- Standardbred horsemen would be responsible for all operating expenses.
  - Standardbred horsemen would be responsible for the racetrack share of the payments in lieu of taxes currently at a total level of \$2.5 million per year.
  - Standardbred horsemen would be responsible for capital improvements estimated to be in the range of \$2 million.
  - There would likely not be sufficient purse money in the State to support quality racing.
  - The NJSEA would lose the right to build a Meadowlands OTW parlor resulting in an \$8 million reduction in NJSEA income.
  - The Commission proposes that the lease be for a three year term at \$1.00/year net (tenant pays all expenses).
  - Standardbred horsemen could become equity investors in OTW facilities.
  - Potential to convert the front paddock to an OTW parlor and run a 50-day championship meet at the Meadowlands Racetrack.
- d. **OPTION 4:** Private entities could be encouraged to buy and convert to a commercial use one of the standardbred farms in New Jersey that has a mile track, and build a 5,000 seat grandstand complete with all necessary amenities. Included in this option would be the construction of an OTW parlor at the Meadowlands so as not to lose the northern New Jersey standardbred market. The major difficulty with this option is the competition from Freehold and the challenge to work out agreeable racing dates. Freehold, unfortunately, has a ½ mile track with little room for expansion.

### C. SUMMARY

The options outlined above provide a basis for exploration to determine the viability of both standardbred and thoroughbred racing in New Jersey. Some of the challenges associated with these efforts have been presented above. Other challenges include the following:

- Responses to problems associated with the horse racing industry must be coordinated with responses to issues associated with the off-track wagering system.
- Responses to horse racing issues must also be coordinated with a mandate to eliminate financial losses currently suffered by the industry.
- Solutions to the horse racing crisis must take into account many competing interests.
- Solutions must also be constructed with attention to existing legal and legislative constraints, including a 2004 New Jersey Superior Court settlement stipulating the number of racing days required.
- Sustaining the horse racing and breeding industry in New Jersey will be difficult without an interim purse funding source while the OTW system is built out.

A master plan for horse racing needs to be formulated in the next six months, including consideration of the concept of privatization.

## VII. ENGENDER A SPIRIT OF COOPERATION AMONG NEW JERSEY'S MAJOR ENTERTAINMENT VENUES

### A. BACKGROUND

The State directly or indirectly controls four venues where concerts can be held. They are 1) the IZOD Center at the Meadowlands; 2) The PNC Center in Holmdel; 3) the Historic Atlantic City Convention Center; and 4) Rutgers Stadium in New Brunswick. In addition, major entertainment or sports events are held at the Prudential Center in Newark, Symphony Hall in Newark and the Meadowlands football stadium. The Commission agrees with the transition team in its recommendation that an integrated policy should be developed among the four State-influenced venues and a cooperative policy should at least be developed among all of the major venues. The Commission's work associated with moving the Nets from the IZOD Center to the Prudential Center has already contributed significantly toward accomplishing these goals.

## **B. ANALYSIS AND RECOMMENDATIONS**

The Commission wishes to make clear that it does not categorically view the existence of the Izod Center and the Prudential Center, just twelve miles apart, as being negative. In fact, the Commission notes that from the opening of the Prudential Center in October 2007 through November of 2009 the overall combined venue use for the Izod Center and the Prudential Center increased by 222 events (that is, 58%) over the historic norm. The picture can be even brighter if cooperation and synergy is fostered among both state-controlled and privately-operated venues. Other Commission recommendations include the following:

- The State should test the market for interest in privatizing operations of the IZOD Center and the PNC Arts Center by issuing a request for proposals.
- A single point of contact should be established for booking concerts and other events at the taxpayer-supported facilities. (Facilities in the next bullet point).
- A formalized 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 should be developed.

## **VIII. CONCLUSIONS AND NEXT STEPS**

The Advisory Commission has attempted in the foregoing report to address each of the issues raised by Governor Christie in Executive Order No. 11, dated February 2, 2010. Consistent with the charge in the Executive Order, the Commission solicited and received extensive input from relevant outside sources. The Commission also received extensive unsolicited input, all of which was reviewed and considered in the formulation of the Commission's findings, conclusions and recommendations.

Also consistent with the Executive Order, the Commission reviewed and considered the work of the Governor's Commission on Horseracing created by Executive Order No. 133 on March 3, 2009.

Finally, consistent with the Executive Order, the Commission addressed a number of pressing issues that required real time analysis and action. The following can be included among such issues:

1. Resolving the status of the New Jersey Nets' lease at the IZOD Center in a way that served well the needs of all involved.
2. Beginning the process of stabilizing the State's failing horseracing industry, including advancing legislation that allows, on a one year basis, a reduction in the number of race days and race sites, and the corollary increase in the quality of the racing product and the size of racing purses.

3. Beginning the process of stabilizing the financial crisis faced by the New Jersey Sports and Exposition Authority and setting a positive course for the agency's future.
4. Creating a dialogue among New Jersey's major entertainment venues which has set in motion a style and level of cooperation that will ultimately ensure that competition among them is mutually beneficial and not counterproductive to their financial success.
5. Making current and potential future owners and developers of the stalled Xanadu project aware of the State's urgent concern about the lack of progress toward project completion and opening, as well as the parameters and conditions associated with any public support for the project's ultimate financial success.
6. Making the casino industry and other stakeholders aware of the State's urgent concern about the rapidly declining financial state of casino gaming in Atlantic City, as well as the unfulfilled promise of the gaming industry's contribution to the revitalization of one of New Jersey's most important tourist destinations.
7. Providing the Governor with real time advice regarding the use of state resources in addressing the gaming industry's financial decline, the emergence of new casino properties and ways going forward to assure a better connection between the financial recovery of the industry and the overall economic and physical condition of Atlantic City.

In all of its work, the Commission remained mindful of its responsibility to ensure that the State's resources are managed responsibly for the benefit of the citizens of New Jersey and that its report will serve as a blueprint to guide state policy in correcting the sports and entertainment infrastructure to make all its parts self-sustaining, attractive to wider audiences, and income positive for the long term.

The Commission concludes this report with the following recommendations for immediate next steps intended to assure that any momentum created by the Commission's work can be maximized:

- A catalyst needs to be identified to exert continuing pressure to move the Xanadu/Meadowlands project to completion and opening.
- The State needs to remain prepared to move quickly to assert its rights in the event the Xanadu/Meadowlands financial situation is not resolved.
- A master development plan needs to be created for the Meadowlands property.
- Action should begin immediately to create a Tourism District in Atlantic City followed by creation of a Master Plan for the District.
- Regulatory reform should be advanced for the Casino Control Commission and for the State Division of Gaming Enforcement.
- Efforts should begin to create a public/private partnership in Atlantic City of the type recommended by the Commission. A catalyst needs to be identified to monitor progress on Atlantic City's Revel project and to assess and recommend further State involvement.

- A Master Plan needs to be created for the future of horseracing in New Jersey which addresses purse structure, based upon results of the Summer Monmouth Meet;
- Amendments to off track wagering (“OTW”) legislation should be advanced.
- Other legislation related to New Jersey’s horseracing industry should be advanced.
- Attention should be given to the future of standardbred racing In New Jersey;
- Efforts should be made to assure that NJSEA establishes a break-even budget in 2011.
- A catalyst needs to be identified to continue the effort of encouraging cooperation among the State’s major entertainment venues.
- Federal laws governing internet gaming and sports betting should be monitored.

It has been the pleasure of each member of the Advisory Commission to contribute to the contents of this Report.

Submitted By: Jon F. Hanson, Chairman  
Governor’s Advisory Commission on  
New Jersey Gaming, Sports and Entertainment

Dated: July 21, 2010