

## Revised tax deal for old Medical Center site

*City Council introduces new abatement for Beacon complex*

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Recently, more and more developers in Jersey City have asked for the city to change their formula for paying taxes now that economic times are tough.

On Wednesday, the City Council introduced six ordinances to amend the existing 30-year tax abatements for the six-building condo complex known as the Beacon. The Beacon is the \$350 million, 1,200-unit project being developed at the old Jersey City Medical Center property on Baldwin Avenue and Montgomery Street, a half-mile south of Journal Square.



Originally, the Beacon's developers worked out their six deals assuming the complex would be condos. However, in these tough economic times, they will instead be rentals, the developer said.

Tax abatements are deals that allow developers to pay taxes according to an agreed-upon formula, rather than the standard fluctuating property taxes. Money from these deals goes directly to the city rather than also being divided among the county and schools.

**CHANGES IN BEACON ABATEMENTS – The City Council at its Wednesday meeting introduced revised abatements for the \$350 million 1,200-unit project being developed at the old Jersey City Medical Center property**

The original abatements for the Beacon were approved by the council in Dec. 2006.

George Filopoulos, the developer of the Beacon, commented in an article that ran in the Aug. 3 edition of the Jersey City Reporter about how lenders are looking to finance rental projects instead of condos.

Both Filopoulos and his attorney, Eugene Paolino, addressed the council at the caucus on Monday. They said that the deteriorating mortgage market makes it harder for potential condo owners to get a mortgage.

Filopoulos also said the revised abatements will help the Beacon project continue being built without delays.

"The purpose here is to keep accelerating the schedule and not lose time," said Filopoulos. He said one of the buildings, the Mercury building, is scheduled to be rehabbed and converted into a 103-unit building by next year.

The council will take a final vote on the abatements at the next council meeting on Sept. 24.

### **The financial numbers**

Paolino said the revisions would not be permanent, and could change again if the financial lending market improves in future years.

The project currently has several 30-year tax abatements, allowing the developer to pay the city between 10 and 12 percent of gross annual revenue each year.

The revised abatements stipulate paying 12 percent for the first 15 years and 14 percent for the next 15 years for three of the six Beacon buildings - Criterion, Hague, and Tower. From the Paramount, Orpheum and Mercury buildings, there would be payments of 10 percent gross annual revenue for the first 10 years, 12 percent for the next 10, and 14 percent for the final 10 years.

City Business Administrator Brian O' Reilly said during the caucus that the city would get a "couple hundred" dollars less per year in gross annual revenue payments because of the revision in the abatements. But he also said the city will get the revenue more quickly if the buildings are rented.

The council indicated that they did not want to stop the first new construction taking place in that area in at least 30 years.

What about the affordable housing?

There was another issue the council addressed at the caucus.

City Council President Mariano Vega asked about the Roxy building at 201 Cornelison Ave., located in the back of the old Medical Center, which is designated for affordable housing to be built by the developer.

At the present time, it is occupied by offices for the city's Department of Health and Human Services.

Paolino said the affordable housing cannot be built if the building is still occupied. He said the city is leasing the building from Filopoulos for another two years, after which time they will relocate the city offices.