



New Jersey Performing Arts Center Pulls Trigger on Newark Tower

Philadelphia-based Dranoff Properties wins RFP for 41-story mixed-use, public/private partnership.

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By Chris Wood

Newark, N.J., is about to get a little bit taller.

Two Center Street, a 41-story residential tower and performing arts complex, is likely to move forward as a private/public partnership between the New Jersey Performing Arts Center, Philadelphia-based developer Dranoff Properties, and the City of Newark, announced Mayor Cory Booker during his state of the city address on Feb. 11.

"This project will strengthen our downtown, add hundreds of new housing units, and create construction jobs in our city," Booker said. "In partnership with NJPAC and Dranoff Properties, we pledge to move this project forward intensively this year, securing the resources we need to make it a go for construction in the coming years."

When complete, the Two Center Street tower will become the tallest building in the city of Newark, topping out just 5 feet higher than the National Newark Building. "It will redefine the skyline, and everyone coming into Newark or commuting into New York City is going to have our building right in front of them," says Dranoff CEO Carl Dranoff. "The project is in a rejuvenating downtown, at the hub of transit and commuter rail lines for New Jersey and New York City, and is in the retail and entertainment core of the city. Everyone is excited about this project."

Dranoff beat out 15 competitive bids for the project and likely helping to seal the deal was the developer's recent success with the \$125 million Symphony House, a 32-story residential tower in downtown Philadelphia co-located with a retail/entertainment complex anchored by the 365-seat Suzanne Roberts Theater. Two Center Street will be constructed on a land parcel adjacent to the New Jersey Performing Arts Center, which includes the 2,750-seat Prudential Hall and the smaller 514-seat Victoria Hall.

As envisioned, Two Center Street will feature a residential community of 300 units—20 percent of which will be set aside as affordable housing for artists—more than 20,000 square feet of street-level retail, and structured parking for approximately 550 cars.

The development will be Dranoff's fourth public/private partnership, and the deal structure with NJPAC was

modeled on the developer's previous public/private deals. Specifically, Dranoff gains a 50-year ground lease to the property with built-in extensions, and NJPAC doesn't have to sweat raising money for development. "That model will enable us to gain profit off of the project while getting the site developed without NJPAC having to commit any substantial capital," Dranoff says.

The project will seek both new market and low-income housing tax credits to help capitalize development, and Dranoff is already in discussions necessary debt and equity raise. "We are in serious discussions with two major institutional lenders who are active and interested in financing the project, both from a debt standpoint in addition to being a purchaser of the tax credits that will be used to help fund the project."

Dranoff expects pre-construction planning to last about 16 months and hopes to break ground in the second half of 2010.

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