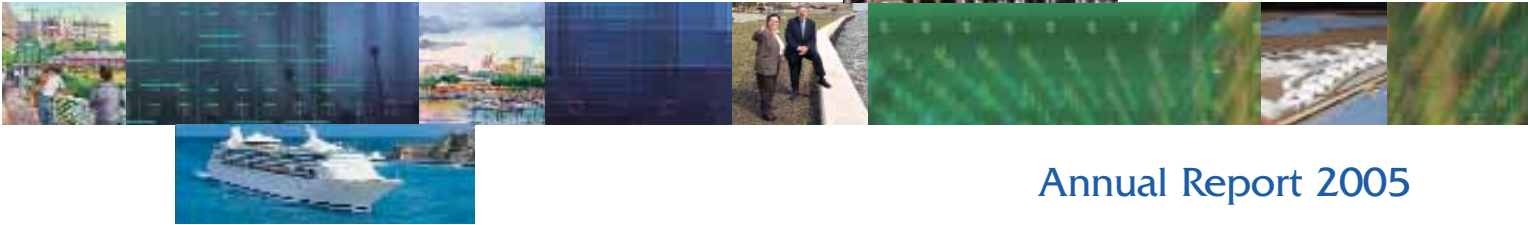

Bayonne Local Redevelopment Authority



Annual Report 2005



Nancy A. Kist, Esq.
BLRA Executive Director

A message from BLRA's Executive Director

We've made tremendous strides in moving ahead with our plans to transform The Peninsula at Bayonne Harbor into a thriving mixed-use mecca. And it's all happened faster than anyone dreamed possible.

When I think about the BLRA's accomplishments over the last year one word comes to mind – WOW! We've made tremendous strides in moving ahead with our plans to transform The Peninsula at Bayonne Harbor into a thriving mixed-use mecca. And it's all happened faster than anyone dreamed possible.

Our most high-profile tenant, Royal Caribbean Cruise Lines, has expanded its operations after just two full seasons in Bayonne. Our homeport has become so popular that Cape Liberty Cruise Port on The Peninsula is now ranked third among East Coast ports – right after Miami and New York .

But that's just a small part of the BLRA's ongoing success story. Our careful planning process is now bearing fruit, as developers have come knocking seeking the rights to build within the six distinct districts that comprise The Peninsula. In fact, construction is about

to begin on the first of these districts. When completed, Harbor Station North will boast a pedestrian friendly neighborhood and generate millions in new ratables for the city.

As promised, public access to the waterfront will soon open with access to our southern shore and the opening of our first park in September. With sweeping views of the Manhattan skyline, it's sure to draw you back to our wonderful waterfront.

We're excited about all of these developments and we hope you are, too. This spring I invite you to come on down and check us out!

Joseph V. Doria, Jr.
Mayor of The City of Bayonne



A message from the Mayor

There's no doubt in anyone's mind these days that Bayonne is one of the metropolitan area's hot spots. From improvements to our shopping districts to the construction on our waterfront, everywhere you look great things are happening in Bayonne.

It's exciting for me to see our plans for The Peninsula at Bayonne Harbor come to life. In just three years The Peninsula has been transformed from an abandoned Army base to a thriving cruise port that now ranks third on the eastern seaboard. One of our major tenants, Central Jersey Marine Industries, which operates a dry dock, has already won major Naval contracts. Our waterfront, with its gorgeous views, will soon be open to residents and we hosted Russian Federation President Vladimir Putin at last fall's dedication ceremony for Harbor View Park, a park that will open in September and will honor the victims of 9/11 and the 1993 terrorist attack on the World Trade Center.

These accomplishments mean we're delivering on the promises we made to Bayonne residents at the outset of this project. We're generating tax revenue to stabilize property taxes. Creating local jobs for local residents. Providing the first public access to our waterfront in more than 60 years. And making Bayonne one of the East Coast's premier destinations for heads of state, movie producers and tourists.

This is only the beginning. As we move forward this year with construction on our first district, Harbor Station North, you will begin to experience new residential, business and shopping opportunities on The Peninsula.

It's exciting for me to see our plans for The Peninsula at Bayonne Harbor come to life. In just three years The Peninsula has been transformed from an abandoned Army base to a thriving cruise port that now ranks third on the eastern seaboard.



Royal Caribbean: Cruising to New Heights

Say hello to
Freedom of the
Seas, the ultimate in luxury cruise ships coming to Cape Liberty for her official naming ceremony and inaugural cruise on May 11. At 160,000 tons and 1,112 feet long, the luxury liner can accommodate 3,634 passengers.

Royal Caribbean and Cape Liberty Cruise Port are cruising to new heights. Since Royal Caribbean established a homeport at The Peninsula at Bayonne Harbor two years ago, cruise passengers have flocked to Cape Liberty for its easy access, convenience and spectacular view of the Statue of Liberty and New York skyline. After two short years of operation Cape Liberty is now ranked third among East Coast ports – right after Miami and New York.

The inaugural season began with two passenger ships – the luxury liner *Voyager of the Seas* a 3,114-passenger luxury liner and *Empress of the Seas*, a 1,602-passenger vessel, which alternate itineraries to Bermuda and the Caribbean. Cruise passengers and the convenient Bayonne location proved such a good match, in 2005, the company expanded its operation with the Celebrity Cruise ship *Zenith* offering

weekly cruises to Bermuda and *Constellation*, which takes alternate trips to New England and Canada during the fall.

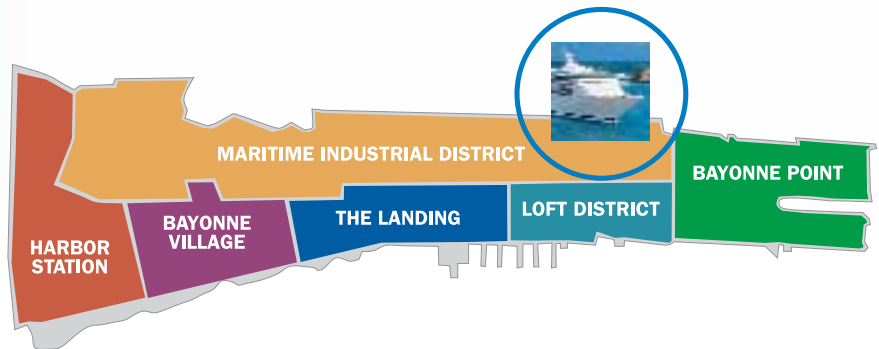
At the close of the second season, the number of ship calls totaled 67 and 301,300 passengers passed through Cape Liberty. Bringing the cruise industry to Bayonne also created 300 new jobs for the local economy.

Richard Fein, Chairman and CEO of Royal Caribbean Cruises, said leaving Manhattan and making a long-term commitment to Bayonne has been a good move. “People love the Celebrity ships out of Bayonne and the City of Bayonne has been very supportive throughout. We are proud to partner with them.”



#3 Port on East Coast

Cape Liberty Cruise Port is now ranked third among East Coast ports – right after Miami and New York. The number of ship calls for 2005 totaled 67 and 301,300 passengers passed through Cape Liberty.



The 2006 cruise season looks even more promising for Cape Liberty Cruise Port. Royal Caribbean projects an estimated 70 ship calls for Bayonne and *Freedom of the Seas*, the largest cruise ship in the world will make its premier on May 11.

Cruise destinations for the third season include the Caribbean, Bermuda and a special transatlantic cruise to France and England aboard Celebrity Cruises' *Constellation* in April.

Royal Caribbean and the Bayonne Local Redevelopment Authority (BLRA) have also inked a 35-year deal to berth cruise ships at Cape Liberty Cruise Port. The long-term agreement is valued at more than \$140 million and will create an additional 250 port jobs.

For more information about Cape Liberty Cruise Port, please visit www.cruiseliberty.com.

2005 was an award-winning year for Cape Liberty Cruise Port, which was recognized with a number of awards. The Hudson County Chamber of Commerce awarded an Area Development Council (ADC) Gateway County Award to Cape Liberty for its commitment to the economic growth of Hudson County. Cape Liberty also received statewide recognition as the recipient of the NJBIA "Good Neighbor" award.

Ports of Stockholm recognized Royal Caribbean's *Constellation* with an "Environmental Diploma" for its use of efficient gas turbine engines, which are less stressful on the environment.



Redevelopment Plan

Incorporating smart growth values and sound planning principles, Harbor Station North will contain 447 dwelling units and 10,000 square feet of neighborhood space designed for cleaners, eateries and other retail services for residents.

Bayonne to get a new neighborhood

Paving the Way for Redevelopment

In November 2005, workers began tearing down Goldsborough Village, the military housing complex at the former Military Ocean Terminal (MOTBY). Demolition of the complex was another sign of progress at The Peninsula at Bayonne Harbor, paving the way for the construction of Harbor Station.

Building a Model Community

Bayonne is about to get a new neighborhood. After years of planning and infrastructure improvements, construction will soon begin on Harbor Station North, the first residential neighborhood to be built at The Peninsula at Bayonne Harbor.

Harbor Station is the gateway to The Peninsula. The new district, located on 12.32 acres in the northwest corner, will be within a short walk of the 45th Street Hudson-Bergen Light Rail Station. Incorporating smart growth values and sound planning principles, Harbor Station North will contain 447 dwelling units and 10,000 square feet of neighborhood space for cleaners, eateries and other retail services. The community will be pedestrian-friendly with open space and a mews street that will connect it to the future Harbor Station South.

“This is another step in the right direction toward redeveloping the property in a manner consistent with the community’s vision,” said Howard Fitch, chairman of the BLRA Board of Commissioners. “The

Harbor Station development will create job opportunities and expand the tax base for the City of Bayonne.”

Fidelco Bayonne Realty is the designated developer for the district. Plans call for 371 multi-family units and 52 stacked town homes in four-story buildings. There will be 724 new parking spaces in single-level garages and 95 on-street spaces. When completed, the project is expected to generate millions in new tax revenues for the City of Bayonne.

BLRA Selects Two National Leaders to Develop Bayonne Bay

The BLRA has conditionally designated two of the nation’s leading real estate developers to construct the Bayonne Bay district, the second phase of redevelopment at The Peninsula.

D.R. Horton & Trammell Crow Residential submitted the winning proposal, which features 1,769 units of age-restricted and age-targeted for-sale and rental housing

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organized around a sweeping waterfront park and walkway that will be open and accessible to all Bayonne residents. Located on 32.7 acres along the southern side of The Peninsula, plans for age-targeted housing in Bayonne Bay will maximize the tax benefits generated by the project.

D.R. Horton, the number one homebuilder in America, constructs and sells high quality single- and multi-family homes through divisions in 26 states and 77 metropolitan markets in the U.S. Trammel Crow is the nation's premier multi-family real estate firm operating in more than 50 cities nationwide.

"The D.R. Horton/Trammell Crow proposal pairs two of the nation's leading real estate companies," said Fitch. "They met all of our criteria in terms of experience, financial strength and willingness to build and market age-restricted housing."

The developers estimate that the total Bayonne Bay development might be valued in excess of half a billion dollars.

Major Milestone for Future Development

The BLRA achieved a major milestone in late 2005 when it received its Waterfront Development Permit and Water Quality Certificate from the New Jersey Department of Environmental Protection, which cleared the way for long-term development at The Peninsula at Bayonne Harbor.

The permit is required by the state for any development within 500 feet of the waterfront and the BLRA now has the go-ahead to begin construction on major infrastructure items such as a potable water distribution system, sanitary sewer collection, electrical power and natural gas distribution, storm water collection and treatment and more.

Infrastructure Update



A Solid Foundation for the Future

As plans move forward for the different districts that will one day comprise The Peninsula at Bayonne Harbor, the BLRA continues to lay the groundwork with infrastructure improvements that pave the way for development.

At the core of any good redevelopment project is a solid foundation. As plans move forward for the different districts that will one day comprise The Peninsula at Bayonne Harbor, the BLRA continues to lay the groundwork with infrastructure improvements that pave the way for development.

A key to these costly improvements is finding funding sources to support these efforts. This year the BLRA received significant assistance through a \$4 million Department of Defense grant for berth stabilization efforts to rebuild eastern shore bulkhead and platform structures that collapsed while the former Military Ocean Terminal was still under the control of the federal government.

Sen. Robert Menendez (D-NJ), who has been a strong supporter of Bayonne's efforts to redevelop The Peninsula, stepped up to the plate to ensure that the Department of Defense appropriations bill included the funding necessary for continuing stabilization efforts. A New

Jersey congressman until his appointment to the Senate last fall, Menendez was also instrumental in securing \$5 million toward berth stabilization last year.

On The Peninsula's southern shore, the BLRA is moving forward with plans to reinforce existing steel bulkheads to prevent them from being damaged or destroyed in storms or accidents. Recently, a contract for \$781,468 was awarded to Berto Construction to install more than 3,000 feet of concrete cap on the existing bulkheads. The contract also includes work on approximately 1,450 feet of shoreline to prevent erosion. In addition to protecting the bulkheads and shoreline, the improvements will create a clean, finished look to the south side that will complement the waterfront walkway that will one day wind through the area.

Environmental Remediation Completed



A Clear Path for Redevelopment

The BLRA has received a thumbs up from the state Department of Environmental Protection certifying that its efforts to remediate contaminated areas of The Peninsula at Bayonne Harbor are complete.

The DEP's "no further action" letter arrived earlier this year, clearing the way for redevelopment efforts to move ahead full throttle.

This was no easy task, considering the broad scope of the project. When Bayonne took possession of the former Army base in 2001 and 2002, experts determined that a whopping 130 acres – roughly one-third of the property – required environmental remediation. Over the course of 2 1/2 years, the BLRA worked closely with a leading environmental services firm to place soil and asphalt caps over contaminated areas, remove tons of contaminated soil and replace it with clean soil and close and cap a 28-acre landfill.

Through a groundbreaking Environmental Services Agreement between the BLRA and the Army, the \$11.6 million cleanup was completely funded by the federal government, but directed by the BLRA. The first-of-its-kind agreement was an acknowledgement that by taking control, the BLRA could finish the project more efficiently and economically.

The BLRA lived up to the agreement's specifications – and then some. Remarkably, the roughly 30-month cleanup came in well ahead of the seven-year schedule projected by the Army Corps of Engineers.

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BLRA in the Limelight

From high-profile contracts to prestigious awards, the BLRA continues to win national and international attention for its efforts.



Major News Developments of 2005

The BLRA recently unveiled its new

Web site, which

features a streamlined new design and easy-to-navigate options including tabs to download the redevelopment plan, view projects that are out to bid and get meeting and events schedules.



Harbor View Park

With sweeping views of lower Manhattan, it is fitting that The Peninsula at Bayonne Harbor will be home to Harbor View Park and its memorial dedicated to the victims of the 1993 and 2001 terrorist attacks. The centerpiece of the park will be the 100-foot-tall sculpture "To the Struggle Against World Terrorism" donated by noted Russian artist Zurab Tsereteli and presented to Bayonne last fall by Russian Federation President Vladimir Putin. Also called the "teardrop memorial," the sculpture features a dramatic slash enclosing a 40-foot teardrop with a granite base containing the names of those who perished on 9/11 and in the 1993 attack on the World Trade Center. Funded through grants from the Hudson County Open Space Trust Fund and a gift from Royal Caribbean Cruise Lines, the park will be completed by Sept. 11, the fifth anniversary of the attacks.

New Video Markets Peninsula

The BLRA recently unveiled its latest marketing tool to attract future investment to The Peninsula at Bayonne Harbor. A new video called "Unlocking Opportunity" presents a strong business

case for prospective developers and investors to compete for a stake in the metropolitan area's largest redevelopment effort. The 10-minute film highlights Bayonne's rich history, including The Peninsula's uses as an industrial port and Army base and the city's hometown atmosphere and quality of life. It also describes the significant infrastructure improvements already completed to prepare for the transformation of the former military base into a dynamic mixed-use community. The video has aired on local cable channels.

Dry Dock Wins Naval Contract

The latest in a series of high-profile developments for The Peninsula and its tenants came earlier this year, when the Naval vessel USNS Mendonca arrived in Bayonne from Iraq. Central Jersey Marine Industries, the BLRA's second largest lease tenant, won the contract for maintenance and painting of the ship before it returns to Iraq. The non-combat Mendonca transports helicopters, tanks and other vehicles and has a crew of 20. Dry dock operator Central Jersey Marine Industries recently signed a 10-year lease with the BLRA.



The Bayonne Local Redevelopment Authority

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