



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

TELECOMMUNICATIONS

IN THE MATTER OF THE APPLICATION OF VERIZON)
NEW JERSEY, INC. FOR THE APPROVAL OF THE)
SALE AND CONVEYANCE OF REAL PROPERTY)
LOCATED IN THE CITY OF NEWARK, ESSEX)
COUNTY, NEW JERSEY TO 540 BROAD STREET)
ASSOCIATES, L.P.)

ORDER OF APPROVAL

DOCKET NO. TM15030285

Parties of Record:

Sidney D. Weiss, Esq., Attorney for Verizon New Jersey, Inc.
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:¹

On March 4, 2015, Verizon New Jersey Inc. ("Petitioner") or ("VNJ") filed a Verified Petition ("Petition") for approval of the sale and conveyance of real property located at 540 Broad Street, City of Newark, Essex County, New Jersey ("Property") to 540 Broad Street Associates, L.P. ("Buyer"). According to the Petition, there is no relationship between the Petitioner and the Buyer other than that of transferor and transferee.

The Property consists of a twenty story, 427,720 square foot building on approximately 0.7735 acres of land that was acquired on October 1, 1927, at a purchase price of \$101.00. Improvements to the Property consist of the existing 427,720 square foot building and subsequent internal improvements, at a total cost to date of \$83,856,749.00. The Property was used as the site for Petitioner's New Jersey Headquarters. The book value of the Property is \$10,600,768.00. The Property is not income producing, and its 2014 assessed value is \$38,147,200.00.

In August 2012, Petitioner determined that it has no present or prospective use for the Property for utility purposes subject to the specific easement and leases described herein. On September 10, 2012, Petitioner obtained an appraisal of the Property from Cushman and

¹ Commissioner Upendra J. Chivukula recused himself due to a potential conflict of interest and as such took no part in the discussion or deliberation of this matter.

Wakefield, Inc. which determined that the market value of the Property as of September 10, 2012, with certain reservations of space by Petitioner more particularly described in the Sale Agreement (Agreement) attached with the Petition, was \$9,850,000.00.

The Petition states that the Property was advertised for sale on April 11, 12 and 13, 2014; and again on April 25, 26 and 27, 2014. In response to the advertisements, ninety (90) prospective buyers received bid packages and eight (8) responsive bids were received. Petitioner accepted the bid of \$15,000,000.00 submitted by Buyer. Petitioner rejected the higher bids because they contained unacceptable conditions and contingencies. Petitioner believes that Buyer's bid of \$15,000,000.00 is the best price attainable for the Property and represents the fair market value of the Property.

Pursuant to the Agreement, the Petitioner will lease floors 2, 3, 6, 7, 10 and 11 of the Property for a period of one year from the date of closing (with two (2) possible extensions of six (6) months each) in order to have sufficient time to relocate its business operations to other locations. The terms and conditions of the lease are set forth in Exhibit B annexed to the Agreement. Furthermore, Petitioner's affiliate, MCI Communications Services, Inc. ("Verizon MCI") will lease the 4th floor, a portion of the 2nd floor and additional ancillary space of the Property defined in the Agreement as the "Telecom Space". Verizon MCI proposes to use the Telecom Space for continuation of its existing use as a telecommunications equipment facility. The terms and conditions of the lease are set forth in Exhibit C annexed to the Agreement.

Pursuant to the Agreement, Petitioner reserves, on behalf of Petitioner and its affiliates, continuing ownership of all ducts, cables, wires, fixtures and facilities for telecommunication services which are located in the streets adjoining the Property and the right and easement to place, replace, construct, reconstruct, install, operate, use, repair, maintain, relocate and remove such telecommunication facilities in, on, over, under and through the streets adjoining the Property which are described in the Deed attached to the Agreement. Pursuant to the Agreement, Petitioner also reserves an easement for the cable dehydrators on the terms set forth in Exhibit J to the Agreement.

Petitioner also requested the waivers or relaxation of Rules under N.J.A.C. 14:1-5.6(b) that requires that the Property be advertised for sale within "150 days immediately prior to the filing of the petition for approval of the sale. . . ." Id. Petitioner requests waiver of the 150 day Rule pursuant to N.J.A.C. 14:1-1.2(b), which permits waiver or relaxation of rules "in special cases and for good cause shown." Id. Petitioner asserts that good cause, as contemplated in the aforementioned Rule, exists given the complexity of this matter, the need of review and revision of plans for separating Petitioner's telecommunications and related equipment from the portion of the Property to be used by the Buyer, the need for revisions to the Agreement, VNJ lease, and the Telecom Lease, further revisions to Petitioner's plans relating to the relocation of existing exterior equipment to areas within the building to comply with legal noise regulations which were discovered during the negotiations of the Agreement, and the fact that this technical deviation from the Rules does not prejudice the rights of any party.

The Rule also requires that the Property be advertised "at least twice, one week apart, in a daily newspaper published or circulated in the county in which the property is located." Id. Petitioner published the advertisement six (6) times over a seventeen (17) day period during April 2014, which it submits is consistent with the intent if not the actual letter of the Rule. However, the time between the third publication of the first ad and the first publication of the second ad was twelve (12) days rather than "one week" as provided by the Rule. To the extent that the Rule contemplates that the advertisements be published exactly one week apart, Petitioner

requested that the Rule be relaxed and waived to permit this minor deviation. The Petitioner asserts that good cause for such waiver exists in that the Property was adequately advertised on six (6) rather than the minimum two (2) occasions, no less than ninety (90) bid packages were requested by potential buyers and eight (8) bids were actually received thereby indicating substantial compliance with the spirit and intent of the Rule and the absence of any prejudice to any potential bidder or other party.

On March 11, 2015, the New Jersey Division of Rate Counsel ("Rate Counsel") filed a letter indicating that it will not file comments for Board consideration on this matter.

DISCUSSION

After reviewing the Petition and supporting exhibits, the Board **HEREBY FINDS** that VNJ and the Buyer have complied with substantially all of the statutory and regulatory requirements regarding the sale of utility property as contained in N.J.A.C. 14:1-5.6 and N.J.S.A. 48:3-7. The Board also **FURTHER FINDS** that good cause exists to grant the waivers or relaxation of Rules under N.J.A.C. 14:1-5.6(b) and N.J.A.C. 14:1-1.2(b).

N.J.A.C. 14:1-5.6(b) requires that the Property be advertised for sale within 150 days immediately prior to the filing of this Petition. As Petitioner explains in its Petition and as supported by a review of the Agreement attached to the Petition, good cause as per N.J.A.C. 14:1-1.2(b) exists to support granting the requested waiver of N.J.A.C. 14:1-5.6(b) due to the evident complexity of this matter, including the need for review and revisions of plans for Petitioner's vacation of the Property, the need for revisions to the Agreement itself, as well as preparation of and revision to the VNJ and Telcom Leases, and for the reasons further set forth in the Petition that are referenced above.

As to the requested waiver and/or relaxation of the requirement of N.J.A.C. 14:1-5.6(b) that the Property be advertised for sale on at least two occasions one week apart, the Board finds good cause to relax the one week requirement in this instance because the Property was adequately advertised twelve (12) days apart, on six (6) rather than the minimum two (2) occasions, which resulted in no less than ninety (90) bid package requests and eight (8) bids, evidence of the absence of prejudice to any potential bidder or other party.

The Board **HEREBY FINDS** that these deviations from the Rules do not prejudice the rights of any party and hereby **HEREBY GRANTS** the waivers requested by the Petitioner.

The Board **FURTHER FINDS**, pursuant to N.J.A.C. 14:1-5.6(i)(4) and (1), that the proposed sale of said Property will not affect Petitioner's ability to provide safe, adequate and proper service, is in the public interest and in accordance with law, and accordingly **HEREBY APPROVES** the sale, subject to the following conditions:

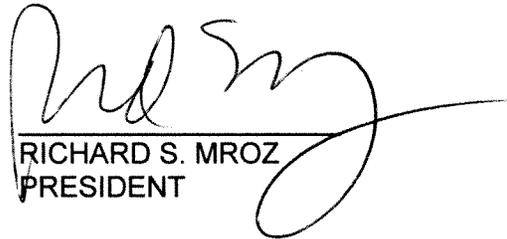
1. Petitioner is directed to advise the Board of the date on which the transaction is completed, within ten (10) days of completion;
2. This Order shall be of no effect, null and void, if the sale hereby approved is not completed within six (6) months of the date hereof unless otherwise ordered by the Board; and

3. The approval of the proposed journal entries regarding the sale of this Property shall not affect or in any way limit the exercise of the authority of this Board, or of this State, in any future petition or in any proceeding with respect to rates, financing, accounting, capitalization, depreciation or in any other matters affecting Petitioner.

This Order shall become effective on April 25, 2015.

DATED: 4/15/15

BOARD OF PUBLIC UTILITIES
BY:

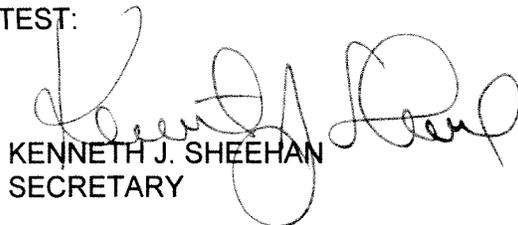

RICHARD S. MROZ
PRESIDENT


JOSEPH L. FIORDALISO
COMMISSIONER


MARY ANNA HOLDEN
COMMISSIONER


DIANNE SOLOMON
COMMISSIONER

ATTEST:


KENNETH J. SHEEHAN
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public Utilities



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ASSOCIATES, L.P. - DOCKET NO. TM15030285

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