

# Green Village Road School Redevelopment Project

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## Overview of the Benefits of Redevelopment



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# Green Village Road School

Local Redevelopment and Housing Law,  
N.J.S.A. 40A:12A-1, *et seq.*, provides

## **CONTROL and FLEXIBILITY**

to the Borough and Board of Ed



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# Redevelopment Helps the Borough and Board of Ed to:

- Create a new tax ratable at an otherwise tax exempt location
- Drastically increase the percentage of each tax dollar kept by the Borough with “payments in lieu of taxes” (“PILOTs”)
- Mandate an expedient and efficient site development



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## Redevelopment helps the Borough and Board of Ed to:

- More clearly define the redeveloper's obligations at the site and to the Borough through the use of a Redeveloper's Agreement
- Set and control design standards for the project with the Redevelopment Plan
- More clearly define affordable housing obligations



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# Property Tax Overview

- “New Jersey's real property tax is an ‘ad valorem tax,’ or a tax according to value. All real property is assessed according to the same standard of value except for qualified agricultural or horticultural land. The standard measure of property value is “true value” or market value, that is, what a willing, knowledgeable buyer would pay a willing, knowledgeable seller on the open market at a bona fide sale as of the statutory October 1 pretax year assessment date.”



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# Property Tax Overview

- “The local property tax rate is determined each year by the County Board of Taxation for each municipality by relating the total amount of tax levy to the total of all assessed valuations taxable. Expressed in \$1 per \$100 of taxable assessed value, the tax rate is a multiplier for use in determining the amount of tax levied upon each property.”
- The land and improvements are assessed separately.
- Because the Green Village Road School site is currently owned by the Board of Education, the property is (and has been) tax exempt.



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# Property Tax Overview

- By designating the site as an “area in need of redevelopment,” the Borough and Board of Ed are now able to select the best purchaser/developer for the Green Village Road School site without having to resort to an inflexible bidding process.
- Without the redevelopment designation, the site could have been purchased by another tax-exempt entity which would have deprived the Borough of a valuable tax ratable.



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# Property Tax Overview

Currently, 24 cents of every tax dollar is kept by the Borough.

The following page shows a more detailed breakdown of how tax dollars are allocated.



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# 2012 AVERAGE PROPERTY TAX DISTRIBUTION

ESTIMATED TAXES ON HOME ASSESSED AT \$409,433



## AVERAGE PROPERTY TAXES AND TAX RATE PER \$100 OF ASSESSMENT

	<u>DOLLARS</u>	<u>RATE</u>	<u>PERCENT</u>
SCHOOLS	\$ 6,959	\$ 1.700	61.1%
• MUNICIPAL	2,727	0.666	24.0%
• COUNTY	1,694	0.413	14.9%
<b>TOTAL:</b>	<b>\$ 11,380</b>	<b>\$ 2.779</b>	<b>100.0%</b>

• - INCLUDES OPEN SPACE TAXES

# Payments in lieu of Taxes - PILOTs

Long Term Tax Exemption Law  
N.J.S.A. 40A:20-1, *et seq.*

Permits the Borough to enter into an agreement with a redeveloper that specifically defines the “taxes” to be paid on a project.

Under the law, they are known as “Financial Agreements,” and are often known as “PILOT Agreements.”



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# Payments in lieu of Taxes - PILOTs

**VERY IMPORTANT TO UNDERSTAND: Even though the title of the law is the “Tax Exemption” law, redevelopers must still pay their fair share of taxes. PILOT Agreements help to more clearly define the amount to be paid.**



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# Payments in lieu of Taxes - PILOTs

A PILOT Agreement enables the Borough to retain a much larger percentage of every tax dollar. In Madison, the Borough keeps 24 cents of every tax dollar. With a PILOT Agreement, the Borough would keep as much as 95 cents of every tax dollar.



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# Payments in lieu of Taxes - PILOTs

The Madison Public School Taxes are approximately \$35.4 million for 2012. By law, the schools can increase taxes by approximately 2% per year (with minor adjustments allowed).

Whether this property was tax exempt, conventionally taxed, or governed by a PILOT, the Board of Ed would still receive the full amount of School Tax.



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# Payments in lieu of Taxes - PILOTs

PILOT Agreements assist redevelopers with obtaining project financing because they provide stability and certainty which is attractive to lenders. PILOTs can be instrumental in fostering effective development projects.



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## Payments in lieu of Taxes - PILOTs

While not mandatory under the law, they are highly recommended for redevelopment projects and the Borough will likely be able to mandate a PILOT Agreement for the Green Village Road Redevelopment Project as part of its Requests for Proposals and eventual Redeveloper Agreement. The law permits a redeveloper to withdraw from a PILOT any time after one year; however, the Borough's goal will likely be to craft a Redeveloper Agreement that will keep the PILOT in place for a fixed number of years.



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# Payments in lieu of Taxes - PILOTs

As defined in the law, the payment made pursuant to a PILOT Agreement is called an “Annual Service Charge,” as opposed to a “tax.” It is often referred to as a “PILOT Payment.”

PILOT payments are made quarterly at the same time as conventional real estate taxes.

Pursuant to the law, PILOT Agreements may last up to 30 years, but often last for much shorter periods, such as 15 years.



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# Payments in lieu of Taxes - PILOTs

Amount of the PILOT Payment is calculated as either a percentage of the projects “annual gross revenue” [a *minimum* of 10%] OR 2% of “total project cost.” If “annual gross revenue” revenue is used, the redeveloper must provide the Borough with annual audited financial statements.

Residential projects, such as the Green Village Road School Project, are also subject to the supervision and rules of the New Jersey Department of Community Affairs.



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# Payments in lieu of Taxes - PILOTs

As part of a PILOT Agreement, the law also allows the Borough to charge an annual administrative fee, an affordable housing fees and other miscellaneous fees.

The PILOT Agreement must be with an “urban renewal entity” and the entity must have the phrase “urban renewal entity” in its name.

If a redevelopment project is to be governed by a PILOT Agreement, then it must be in place BEFORE construction begins.



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# Payments in lieu of Taxes - PILOTs

## Procedure

Applications for PILOT Agreements are granted or denied by Borough Resolution.

If an application is granted, the PILOT is enacted by Ordinance.



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