

MEETING MINUTES

TOWNSHIP OF OCEAN COUNTY OF OCEAN BUSINESS MEETING January 30, 2018

Call to Order

ROLL CALL: BAULDERSTONE X LOPARO X COLLAMER X

Flag Salute

STATEMENT: Pursuant to the provisions of the New Jersey Open Public Meeting Act, adequate notice of this meeting was properly provided by sending a copy of the Notice of Meeting to two newspapers, The Asbury Park Press and the Press of Atlantic City. The Notice was posted at the office of the Township Clerk

Resolution 2018-121

Resolution authorizing the renewal of C.O.Jones Liquor License for the year 2017/2018
Motion to approve was moved by Committeeman Baulderstone, seconded by Deputy Mayor LoParo.
Roll Call: Baulderstone: Yes, LoParo: Yes, Collamer: Yes

Resolution 2018-122

Resolution authorizing an emergency contract with A.C. Schultes in the amount of \$66,350.00 for Well 5
Motion to approve was moved by Committeeman Baulderstone, seconded by Deputy Mayor LoParo.
Roll Call: Baulderstone: Yes, LoParo: Yes, Collamer: Yes

Resolution 2018-123

Resolution authorizing the Township Committee to go into Executive Session: COAH litigation/contractual, contractual, Personnel Matters
Motion to approve was moved by Committeeman Baulderstone, seconded by Deputy Mayor LoParo.
Roll Call: Baulderstone: Yes, LoParo: Yes, Collamer: Yes

PUBLIC PORTION:

Motion to open Public Comment was moved by Committeeman Baulderstone, seconded by Deputy Mayor LoParo.
Roll Call: Baulderstone: Yes, LoParo: Yes, Collamer: Yes

No comment from the public.

Motion Close Public Comment was moved by Committeeman Baulderstone, seconded by Deputy Mayor LoParo.
Roll Call: Baulderstone: Yes, LoParo: Yes, Collamer: Yes

Motion to go into Closed Session: was moved by Committeeman Baulderstone, seconded by Deputy Mayor LoParo.

Roll Call: Baulderstone: Yes, LoParo: Yes, Collamer: Yes

Motion to go into Open Session was moved by Committeeman Baulderstone, seconded by Deputy Mayor LoParo.

Roll Call: Baulderstone: Yes, LoParo: Yes, Collamer: Yes

Tradewinds at Waretown – Long term Tax Exemption

- Michael A. Bruno, Esq.

Mr. Bruno discussed he is here to make a case for the long-term tax exemption plan. The original application was denied this past summer for a long-term tax exemption with a rate of approximately 10% over the term that was requested. As a result of that denial, there were subsequent discussions with Mr. Bruno's client about how the Township could be enticed to reconsider that request. As a result of that, sometime in late September, there was an amended request, which increased the rate on the PILOT to approximately 15% over the term. As a result of that adjustment, Mr. Bruno's client made the case that the PILOT is a win-win for the community, for the Township and for the developer.

The result of the PILOT being adjusted puts and extra \$7 million, which is \$230,000 a year, to the Township's bottom line, over and above what conventional taxes would bring if this project is built out and successful. The PILOT does help the project. Over the thirty-year term, it will save the developer roughly \$3 million. The real benefit is the certainty that comes with having a long-term tax exemption. The rate is set during the term, whether it is 20-25 or 30 years. A different term can be discussed, if that is a concern to the Township. It gives certainty because the rate is agreed upon every year. Whatever the gross revenue is, it is multiplied by the rate and that is what the PILOT payment is going to be.

Mr. Bruno put projections together on what the rents are going to be and did adjustments for annual inflation and did the same for the Township's tax rate, as well as the assessment. It was compared over the 30 year terms, using the best assumptions. The PILOT will generate an extra \$7 million to the Township, over and above what the conventional taxes will do. The beauty of the PILOT is the Township gets to keep 95% of the dollar received from the PILOT versus 33% the Township keeps on the conventional tax dollars. That multiple allows the Township to really get an additional sum.

The developer surmised that maybe there was a concern that the school board was getting cut out of the PILOT payments. The PILOT was adjusted so that even with the school board getting cut out, the money the Township gets still exceeds conventional. Even if the Township wants to make sure the school board is whole the PILOT would still be beneficial for the municipality. That extra \$7 million covers all of that. Residents do not get a tax break, so why should a tax break be given to a developer.

The Township could use this extra money to lower the tax rate, for improvements and recreation. The Township denied the PILOT. Oftentimes the rate and term is negotiated. Townships understand the economics and the benefit of granting PILOTS. The other important issue is it enhances the likelihood of

a successful project, because of the certainty with the taxes and the ability to get financing. Lenders like long-term tax exemptions because of that certainty. It allows the developer to get more attractive financing. That excess money can be used to enhance the project and also make sure the project is successful.

Deputy Mayor LoParo inquired how giving the Township \$7 million benefits the developer.

Mr. Bruno discussed it saves the developer a little over \$3 million over the term. The comparison is versus convention. If the developer had to pay conventional taxes over the 30 year period, the developer would pay \$3 million more over that 30 year term, roughly \$10,000 per year. Due to the ability of the Township to keep 95% of the PILOT dollar, the Township will get \$7 million more, even though the developer is paying \$3 million less. The County gets the shortfall. The County only gets 10% versus what they would normally get, roughly 22%.

Deputy Mayor LoParo inquired what annualized tax rate was used as the base.

Mr. Bruno used the latest rate, 1.96 or equalized at 93%.

Deputy Mayor LoParo inquired what does that come out to, per year, in taxes for the County.

Mr. Bruno discussed based on this project, once stabilized, for Year 4, the total tax payment for the project would be roughly \$563,000. Of that the Township gets about \$186,000. Under the PILOT scenario, the payments of \$482,000, plus the land taxes of \$140,000, the Township ends up with \$324,000 as opposed to \$186,000 from conventional payments.

Deputy Mayor LoParo inquired what if the tax rate goes up.

Mr. Bruno discussed for that scenario, Mr. Bruno increased the value 1% a year and increased the tax rate for every year.

Deputy Mayor LoParo inquired if the tax rate goes up 3%, is the Township locked in.

Mr. Bruno discussed the Township is not locked in because the rents are increased every year. As the rent goes up, the PILOT goes up. If the taxes do not go up, the assessed value is likely going down. There are a lot of variables. This analysis makes the most likely assumptions. Increases were put on the assessment and the tax rate.

Deputy Mayor LoParo inquired what specific Townships has Mr. Bruno pushed PILOT programs through and are they low-income projects or a mixed project like this one.

Mr. Bruno discussed he has obtained PILOTS in Jersey City, Bogota, Long Branch, Tinton Falls, Holmdel, Woodbridge and Union. A lot of the projects have had an affordable component. In Redevelopments, the affordable components are at 10%. Mr. Bruno just closed one in Bergen County in

Bogota, where it was at 10% affordable obligation. The town gave a 30 year PILOT. It was a mixed use with a small retail component, 424 units, 10% of which were affordable and a small retail component with a 30 year PILOT at 10%.

The law is the taxes cannot be less than what they are in the last full year of the taxation. If taxes are currently \$50,000 on this property, they can never be less than \$50,000, even if every store front is vacant and not one unit is rented. There are two components. The land assessment gets shared exactly the way it is shared today. The improvements is the piece that gets subject to the PILOT. If the land value is \$1 million and the improvements are \$3 million, the \$1 million gets split up exactly the way it is today, and the \$3 million, minus the \$1 million, will get at 95%.

Deputy Mayor LoParo inquired if the occupancy rate is very low, is the Township is going to get less.

Mr. Bruno discussed under either scenario, if the occupancy rate is very low, the assessed value is going to be reduced. The value of the project is going lower. It will always impact both equations. Under a conventional assessment, if units are empty, the value is going down. The project can value initially at the cost of building it. Ultimately, the cash flow, the net operating income with a cap rate is how they value these things, which works to the Township's benefit. There are multiple ways to value real estate. Both ways are legitimate. If the project is successful, the Township will do better under both the conventional and the PILOT, but will do best with the PILOT because of the 95% the Township gets to keep the money.

Deputy Mayor LoParo inquired what is the percentage of children in each occupied apartment.

Mr. Bruno discussed the Rutgers study applied to this project is a mix of 1 bedrooms, 2 bedrooms and 3 bedrooms. It was estimated approximately 30 school aged children will live in the 144 apartments.

Deputy Mayor LoParo discussed even if you're looking at 50%, that's 70 kids, half sending to high school is 35 kids at \$15,000 a piece.

Mr. Bruno discussed the extra money can make the town whole. Even if the Township had to make the school board whole, the Township is still getting excess money under the PILOT. The Township could give the school board the fair amount to make them whole.

Deputy Mayor LoParo discussed the Township pays \$15,700 a kid to send them to Southern Regional High School, from 7th grade to 12th grade. That is a huge expense in our Township. Sending to the high school is like college tuition, approximately 50 kids is \$750,000 a year.

Mr. Bruno discussed it has been recognized that is the concern of the Township, which is why it has been adjusted so the Township has enough money to make the school board whole and still come out ahead. If The Township looks at the Rutgers study, there are less kids than you think. If the Township is right, the Township is still going to get more money under the adjusted PILOT.

Deputy Mayor LoParo discussed a lot of children are going to want to move into the apartments to go to Waretown schools and Southern Regional High School, which are the best schools around.

Mr. Bruno discussed he just did a study for Holmdel, 128 townhouses with a 15% affordable component, 96 market rates and 24 affordable apartments. The analysis based on the Rutgers study in Holmdel, which has one of the best school systems in the state, was 27 kids. Mr. Bruno would be happy to share the Bloustein Study with the Township Committee. It is well recognized. The study is conservative, as people are having less children today. Some towns are anxious to receive school kids due to their enrollment being down.

Township Attorney McGuckin discussed that would be fine for the elementary school. The problem is the Township has a fixed cost. The Township can educate an elementary student for \$5,000.

Deputy Mayor LoParo discussed the Township can fit a couple more kids in the elementary school without blinking an eye but going to the high school it is per child.

Mr. Bruno discussed he honestly believes the Township will be much better off economically with this deal. The Township will receive additional revenue to use however fit, whether it is towards supplementing the school board, fixing roads or doing recreation improvements. That is what will happen over conventional taxes. It will benefit the developer with \$3 million. That helps the project. At the end of the day, you want successful redevelopment and commerce in the Township.

Mr. Bruno is happy to share additional information the Township Committee needs to make a final decision, by sending the Rutgers Study, looking through the numbers with you and break it down between three, two and one bedrooms. The developer is open to continue this discussion. As taxes go up under the conventional scenario, values are going to go down. Townships that have long-term tax exemptions are going to make out the best. Jersey City has taken such advantage of it that the state is actually thinking about changing the law because they have taken such advantage.

Township Attorney McGuckin discussed the benefit to Jersey City is they don't count towards the assessed value for purposes of school funding. Jersey City has less assessed value and more state funding, even though they are getting more money than they would have beforehand.

Mr. Bruno discussed Holmdel did a huge long-term tax exemption for a development, due to the economics. Holmdel has a great school system.

Committeeman Boulderstone inquired how the Township can be protected against the cost of sending children to Southern Regional High School.

Mr. Bruno does not know the deal the Township made as a sending district to the Regional School. Sea Bright has a worse deal than Ocean. They pay \$20,000 per student and they have not been able to get out of that deal. The Township will get \$7 million more to use as it sees fit with the long-term tax exemption versus conventional.

Deputy Mayor LoParo discussed Holmdel has huge assessed value on their houses, an industrial component and an industrial park. You are not comparing apples to apples. The value of houses in Holmdel are probably triple of Waretown houses.

Mr. Bruno discussed it is all relative. The Township still gets the same percentages.

Deputy Mayor LoParo discussed there is a lot of uncertainty. The Township might have to raise the taxes 5% one year. Is the Township safeguarding the PILOT against that? If Governor Murphy lifts the 2% cap and the Township raises its taxes 5%, does the PILOT go up 5%.

Mr. Bruno discussed, with the way it is structured, no, it does not. In that scenario, the rents would go up and the Township would get more.

Deputy Mayor LoParo discussed if the economy tanks, then there is no occupancy.

Mr. Bruno discussed that would happen in the conventional scenario as well. The safety net is the Township will never get anything less than what it is receiving today. Mr. Bruno is going to send Township Administrator/Clerk Ambrosio the Rutgers Study.

Closed Session

Motion to move into Closed Session was moved by Committeeman Baulderstone, seconded by Deputy Mayor LoParo.

Roll Call: Baulderstone: Yes, LoParo: Yes, Collamer: Yes

Open Session

Motion to move into Open Session was moved by Committeeman Baulderstone, seconded by Deputy Mayor LoParo.

Roll Call: Baulderstone: Yes, LoParo: Yes, Collamer: Yes

Resolution 2018-124 Authorizing hiring of 2018 Professionals for Engineering and Planning

was moved by Committeeman Baulderstone, seconded by Deputy Mayor LoParo.

Roll Call: Baulderstone: Yes, LoParo: Yes, Collamer: Yes

Resolution 2018-125 Authoring Township Attorney McGuckin to prepare and execute a five-year contract with the Administrator Diane Ambrosio

Motion of approval was moved by Deputy Mayor LoParo, seconded by Committeeman Baulderstone.

Roll Call: Baulderstone: Abstain, LoParo: Yes, Collamer: Yes

Township Attorney McGuckin discussed the Governing Body has determined the Long-Term Tax Exemption Plan is not in the best interest of the municipality and the Township Committee's prior decision will stand.

Motion to determine the Long-Term Tax Exemption Plan is not in the best interest of the municipality and the Township Committee's prior decision will stand was moved by Committeeman Baulderstone, seconded by Deputy Mayor LoParo.
Roll Call: Baulderstone: Yes, LoParo: Yes, Collamer: Yes

Next Scheduled Meeting
February 8, 2018 – 7:00 pm

Adjournment:

Motion to adjourn was moved by Deputy Mayor LoParo, seconded by Committeeman Baulderstone.
Roll Call: Baulderstone: Yes, LoParo: Yes, Collamer: Yes

Signed and Submitted:

Diane B. Ambrosio, RMC
Municipal Clerk

Date