REDEVELOPMENT FINANCING TOOLS

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Financial Incentives Available for Redevelopment Project

- Tax Exemptions/PILOTs
  - Bond Financing
Long Term Tax Exemption Law

*N.J.S.A. 40A:20–1* et seq.

- Area in Need of Redevelopment
- Limited Dividend Entity
- Specific Requirements for Incorporation Documents
- Exemption on Improvements (and land, if for housing)
- Financial Agreement with Municipality
- 30 Years from Date of Completion/35 Years from Execution of Financial Agreement
- Annual Service Charge with Staged Increases
Tax Exemption Application

- URE Submit Application to Municipality
  - Description of Project
  - Statement from Engineer/Architect of Project Costs
  - Identify Source, Method and Amount of Capital
  - Fiscal Plan
    - Schedule of Annual Gross Revenue
    - Estimated Expenditures for Operation/Maintenance
    - Debt Service
    - Proposed Annual Service Charge/PILOT Payments
  - Proposed Form of Financial Agreement
Long Term Tax Exemption/PILOTs

- Annual Service Charge/PILOT
  - % of Total Project Cost
    - Not more than 2% for low/moderate income housing project
    - Not less than 2% for any other project
  - % of Annual Gross Revenue
    - Not more than 15% for low/moderate income housing project
    - Not less than 10% for any other project
  - Staged Increases
  - 5% to County
Redevelopment Area Bond (RAB) Financing


Issuer: Redevelopment Entity, NJEDA
Recourse or Non–Recourse
Security may include Pledge of Annual Service Charge (PILOT) and/or Special Assessment
  ◦ Secure Investment b/c Lien Superior to Mortgage
  ◦ Attractive to Redeveloper b/c Like Grant – Repay Debt Through Obligation it would Incur Anyway
  ◦ Municipality Forego Revenues it would not Realize Anyway (assuming site not developed)
Need Local Finance Board Approval if Pledged Security

Redevelopment Area Bond Financing Law
N.J.S.A. 40A:12A–1 et seq.
PILOT Terms With Bonds

- **Flexibility in PILOT Structure/Amount**
  - Need Not Comply with PILOT Formulas in Long Term Tax Exemption Law
  - No Minimum or Maximum PILOTs

- **Certainty in PILOT Structure/Amount**
  - No Staged Increases
  - No Early Termination by URE
If you have any questions, feel free to contact:

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