

REDEVELOPMENT FINANCING TOOLS

McManimon Scotland & Baumann, LLC
Kevin P. McManimon, Esq.

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

- ▶ Local Bond Law, *N.J.S.A. 40A:2-1 et seq.*
- ▶ Local Redevelopment and Housing Law, *N.J.S.A. 40A:12A-29 et seq.*
- ▶ Redevelopment Area Bond Financing Law, *N.J.S.A. 40A:12A-64 et seq.*

Redevelopment Area Bond Financing Law

N.J.S.A. 40A:12A-1 et seq.

- ▶ 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

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

Contact Information

- ▶ If you have any questions, feel free to contact:

Kevin P. McManimon, Esq.
McManimon, Scotland & Baumann, LLC
75 Livingston Avenue
Roseland, NJ 07068
(973) 622-4869
kmcmanimon@msbnj.com