

Adopted October 1, 2014

**Pinelands Development Credit Bank Board
Offices of the Pinelands Commission
15C Springfield Road
New Lisbon, NJ 08064**

MINUTES

March 31, 2014

2:00 p.m.

Board Members Present:

Christopher Hughes, Chairman, Dept. of Banking & Insurance Designee
Helene Chudzik, Department of Law & Public Safety Designee
Candace McKee Ashmun, Pinelands Commission Designee
Terry Caruso, Department of Environmental Protection Designee
Robert Shinn, At Large Member

Board Members Absent:

Susan Payne, Department of Agriculture
Edward McGlinchey, At Large Member
Sam Mento, III, At Large member

Others Present:

Susan R. Grogan, Executive Director, PDC Bank
DAG Mark Collier
Larry L. Liggett, Director of Land Use & Technology Programs, Pinelands Commission
Betsy Piner, Recording Secretary for PDC Bank Board

1. Call to Order

Chairman Hughes called the meeting of the Pinelands Development Credit (PDC) Bank to order at 2:10 p.m. Mr. Collier read the Open Public Meetings Act Statement. Mr. Hughes called the roll and declared the presence of a quorum.

All present pledged allegiance to the Flag.

2. Adoption of Minutes of the April 29, 2013 meeting.

Chairman Hughes presented the minutes of the April 29, 2013 Bank Board meeting. Mr. Shinn moved the adoption of the minutes. Ms. Chudzik seconded the motion and all voted in favor except Ms. Caruso who abstained.

3. Executive Director's Report

Annual Report for FY2013

Ms. Grogan delivered a presentation on the FY-2013 Annual Report, highlighting activity for the period July 1, 2012 through June 30, 2013. The Report had been released in August and distributed to all Board members at that time. (*See Attachment A*). She noted that there was relatively little activity, a reflection of the overall housing market. The number of sales, the average sale price (\$9,418/right) and the number of projects all continued on the same downward trend. Two properties, one each in Lacey and Woodland townships, were preserved last year for a total of 19.75 acres in the Preservation Area District (PAD). Six rights were redeemed on six projects, indicative of little development activity.

PDC transaction activity

Referencing the PDC Sales Report (as of 2/25/14) provided to all Board members (*Attachment B*), Ms. Grogan said that in FY-2014, the average sales price to date has crept up slightly due to an outlier sale price of \$20,000.00 for one right. Most recent sales have been at \$9,500 per right. She said that there have been two severances so far in FY-2014, and some others are anticipated shortly. Three rights have been redeemed. She said the Bank has been called upon periodically to replace certificates that have been declared lost. Although the Bank's activity is significantly less than some ten to twelve years ago, the processing and detailed record-keeping of certificates is a time-consuming effort.

Ms. Grogan displayed a table with updated PDC supply and demand numbers, prepared by the Commission's Management Information Systems (MIS) staff. The immediate demand numbers are based on recent projects (those within the past seven years, some of which probably have been abandoned and may never be built). Currently there is a demand for 950 rights and the supply is adequate at 1,500 rights.

Ms. Grogan said, in 2006, estimates were made for future supply and demand. The supply estimate of 8,100 rights at that time was based on both those landowners who have received allocations as well as those who have yet to do so. The demand was estimated to be 5,200 rights. She emphasized that, when supply exceeds demand, there is a loss to certificate holders who many never have a market for their certificates if there are no projects on which they can be redeemed.

Ms. Grogan referenced the row in the table providing updated (2014) future supply estimates noting that a drop from 8,100 rights under the 2006 estimate to only 6,750 rights under the 2014 estimate is a reflection of the activity of the State Agriculture Development Committee (SADC) and county Farmland Preservation (FPP) programs. When easements are placed on farms under those programs, the PDCs are extinguished and not available for use. Currently there is no 2014 updated data on future demand.

In response to Mr. Shinn's question as to how much impact the Council on Affordable Housing (COAH) regulations will have on PDC demand in the Regional Growth Area (RGA), Ms. Grogan said until there are new rules in place that establish factors such as density and the

number of housing units, it is an unknown factor. She said, in previous years, it was builders' remedy lawsuits that have been a factor but it is difficult to estimate what the future rules will dictate.

Mr. Liggett said that two tasks are involved when determining the future demand for PDCs: how much current vacant land exists in the RGA and how many units, at what densities, will be built. Then one can determine how many PDCs will be factored into that development.

Ms. Grogan presented a map from the Bank's 2013 Annual Report entitled *Preserved Farms: PDC, SADC and Farmland Preservation Programs*
<http://www.state.nj.us/pinelands/pdcbank/reports/2013%20PDC%20Bank%20Annual%20Report.pdf>

She identified the Katona parcel in Southampton Township and pointed to a number of other preserved farms in the Township. She said Burlington County is very active in preserving farms.

4. Update on the Pinelands Commission's Plan Review process

PDC supply and demand estimates

Mr. Liggett summarized the series of outreach meetings he conducted last year with various interest groups (builders, environmentalists, PDC certificate holders [primarily farmers], and municipal officials) regarding proposed changes to improve the PDC program. He said each group had different concerns with the proposals and that he has since been developing some 22 different concepts to try to lessen the opposition, or at least reduce the hostility. Mr. Liggett said these have not yet been shared with the Pinelands Commission.

Mr. Liggett provided a presentation (*Attachment C to these minutes*) updating some of the information he had shared with the PDC Bank Board previously regarding the Commission's efforts to propose new rules enhancing the PDCs program (*see minutes of April 29, 2013*). The Commission has been considering a number of ways to increase PDC demand so that it will exceed the supply, assuring that every PDC will have an opportunity to be used. He referenced a mandatory sliding scale proposal requiring more PDC use at lower density development and less use at higher densities. He said the builders object to the mandatory component. However, they do support the obligation being reduced at higher densities. Staff believes this sliding scale will help affordable housing projects because they tend to be built at higher densities in any case. Another proposal included treating Pinelands Towns like RGA with the same PDC obligations. Affected Towns would include Hammonton, Egg Harbor City, Whiting, Woodbine and Lakehurst. Mr. Liggett said a proposal to require PDCs for nonresidential development met opposition from municipalities concerned with the loss of ratables. He said another consideration, although it would reduce demand for PDCs, was to reduce the PDC obligation of fiscally "stressed" municipalities. That may not be necessary because development in such municipalities tends to be proposed at higher densities. In any case, the sliding scale proposal would apply.

Allocation of PDCs to the Pinelands Forest Area

Mr. Liggett said that the Commission is considering creating a new Forest Area sending area of perhaps 10,000 acres of select lands to which 2,000 rights could be allocated. There is opposition from existing PDC landholders concerned that such an addition will cause a drop in PDC price. Objectors have asked that such a consideration be deferred or that a specific trigger be designated related to demand and the number of PDCs available. The environmental community is supportive of the measure as they see this as a tool to preserve lands.

Mr. Liggett concluded by saying that his goal was to maintain more PDC demand than supply and to continue his outreach. It is difficult to get more support because the builders want higher density to pay for PDCs while the municipalities do not want more homes.

Chairman Hughes said that it was good to hear of the involvement of the various stakeholders.

Mr. Shinn said he was interested in finding a way to increase the value of PDCs. He noted that the Board owns a number of PDCs and, although there is no pressure to sell its PDCs at this point, he was considering a mechanism through which the Board could allow an auction of one right for a minimum bid of \$10,000. The Board would need to do a resolution in advance and plan a press release to promote the auction. If such a sale were successful, then the Board will have established a new base price.

Chairman Hughes said it was something that the working group could discuss.

Ms. Grogan said the demand for PDCs is just not there right now. She did not want to encourage the purchase of a right from the Bank when there are private certificate holders trying to sell. She said that she thought it was fine to discuss Mr. Shinn's proposal along with general outreach activities and to be ready when the market improves.

In response to Chairman Hughes question if the Bank could do some direct targeting, Ms. Grogan said yes. For example there are many landowners who have received Letters of Interpretation (LOIs) who have not yet severed their credits. They can be contacted through a mailing list and advised of the next steps and the current sales prices. That could be considered the first targeted audience. The second group, perhaps within a targeted geographical area, could be those who have not yet applied for an LOI. She said it will require a fairly significant investment of staff time and resources but she could see what the Commission could offer to assist the Bank.

Mr. Liggett confirmed for Chairman Hughes that the rule proposal under discussion is that of the Pinelands Commission, not the PDC Bank.

5. Discussion of acquisitions and easements

Ms. Grogan showed slides of the Zemel properties, a large acquisition project of two discontinuous parcels in Pemberton and Woodland townships. The PDCs have been severed from the property, which contains ecologically sensitive lands. The New Jersey Conservation

Foundation (NJCF) is trying to purchase the 2,400 acre properties and had come to the Commission requesting funding under the Pinelands Conservation Fund (PCF). For the past several years, the Commission has been actively funding acquisition projects but that money has been depleted, with the exception of the last \$28,597.00. These remaining funds have been allocated to this project but because it is a \$1.8 million project, NJCF is actively seeking additional funding.

From the audience, Mr. Chris Jage, with NJCF, said that the Zemels are absentee landowners and there is no active management of these deed restricted properties. He said the area has become a *de facto* off-road vehicle (ORV) park.

Ms. Caruso asked about the status of the Katona Farm.

Ms. Grogan said that Burlington County has a road widening project for County Route 530 from Route 206 east to Pemberton Borough. Katona Farm is a large deed restricted farm parcel on the south side of Route 530. The Pinelands Commission approved the road widening with conditions, including that Burlington County lift its deed restriction on a portion of the Katona Farm impacted by project. The County was also required to protect other agricultural lands to compensate for the loss of the deed restricted lands. She said after many discussions by the Bank Board, it was determined that the Bank had no rule in the diversion process as the deed restriction is held by Burlington County. It does not appear that the road widening project has begun but the County has met its obligation to preserve lands elsewhere. The Pinelands Commission has received no further information or evidence of the lifting of the deed restriction.

6. Future marketing and outreach efforts: formation of working group

(Most of this discussion occurred prior to the discussion of acquisitions and easements but is described here in the same sequence as that of the agenda)

Mr. Hughes said that when the September 30, 2013 Board meeting was canceled due to lack of agenda items, he had called upon the members to establish a working group to promote the PDC program. He said Mr. Shinn, Mr. McGlinchey and Ms. Payne had agreed to serve on the Committee along with Bank staff. Mr. Hughes asked this group to meet outside the regular Bank Board meetings. He said he realized, with few resources, there are limitations as to what this group will be able to do.

Ms. Grogan said that she would try to schedule that meeting later this spring to develop a plan for the future.

In response to Ms. Caruso's question about the Bank's role in connecting buyers and sellers, Ms. Grogan said that the Bank provides the buyers' and sellers' lists as well as the sale prices on the web site and directs inquiries to that information. However, there is no effort to put buyers and sellers together directly as that would put others at an unfair disadvantage. She said most individuals are purchasing and redeeming one right for one project and the Bank provides guidance as to the process. The large builders are well aware of the process and what is required.

In response to Commissioner Ashmun's question if PDCs were being purchased as investments, Ms. Grogan said the Bank is not seeing that activity. Most feel that they do not have the funds to invest in PDCs. For the most part, the Bank is processing PDCs to serve immediate needs.

7. Public comment

Mr. Jage expressed concern with how the Pinelands Commission evaluates PDC deed restrictions when permitting Enduros. He said older tax maps had errors but since most municipalities have now updated their tax maps digitally, it is important that the Commission look at the most accurate data. He identified the Zemel Woodland parcel on the map and said that the illegal use of off-road road vehicles by those who had not wanted to pay the fee at the legal adjacent ORV park (administered for some ten years by NJCF through an MOA with the Pinelands Commission), had caused serious harm to this deed restricted property

Ms. Grogan said that Mr. Jage had brought this issue to the Commission roughly a year ago. Since that time, Commission staff has met with representatives of the Enduro community and advised them that they cannot use PDC deed restricted lands. She said detailed maps would be posted on the Commission's web site shortly for use in planning these events, once certain refinements related to roads and right-of-way issues are resolved. These maps will clarify those lands to be avoided.

Ms. Caruso said that when paper streets are located on deed restricted lands, it would be helpful if the municipalities vacated such roads so they cannot be used.

Ms. Grogan responded that the Commission could look at the number of instances and determine the level of involvement to resolve that issue.

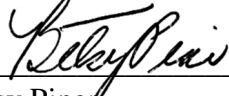
8. Other Items of Interest

Mr. Hughes said the Board's next meeting was scheduled for 2 p.m. on Monday, September 29, 2014 and he asked that the "outreach group" meet before then.

In response to Commissioner Ashmun's question regarding the charge to the group, Mr. Hughes said it was to develop an outreach plan consistent with the limited means and resources of the Bank while trying to increase the value of PDCs.

At 3:15 p.m., Mr. Shinn moved the adjournment of the meeting. Ms. Caruso seconded the motion and all voted in favor.

Certified as true and correct:



Betsy Piner
Recording Secretary

Date: April 9, 2014