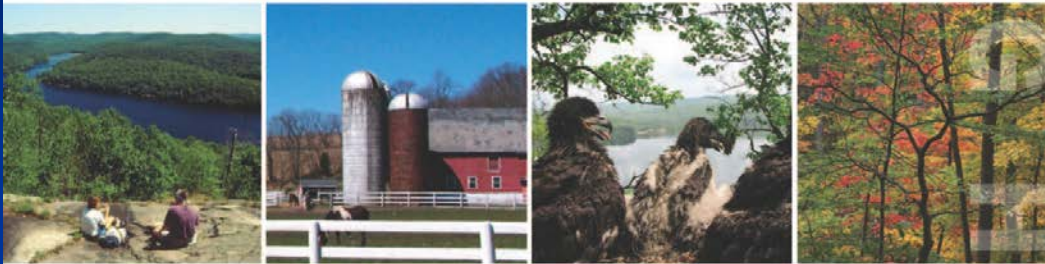


HIGHLANDS REGIONAL



MASTER PLAN
2008

Highlands Development Credit Bank

*Board Meeting
July 28, 2011*



Status of HDC Allocations

- ❑ The Highlands Council has received HDC Allocation Applications from **72 property owners** since launching the program in November 2009. This includes 44 new applications received since January 1, 2011.
- ❑ To date, **45 applicants have received an allocation determination** for their property; 35 applicants have received an HDC allocation while the property of 10 applicants did not receive any allocation.
- ❑ Properties do not receive an allocation where there is no remaining development potential for which HDCs could be allocated. This may occur because of pre-Highlands Act environmental constraints, access issues, undersized lots, or existing easements or deed restrictions.
- ❑ A total of **800.5 HDCs** have been allocated to these properties by the Council with a **total value of \$12,808,000** based upon the \$16,000 initial HDC price. The total acreage receiving an HDC allocation to date is **1,433.91 acres**. The **average price per acre is \$8,932.22**.

Comparison of Preservation Programs

Average per Acre Costs of Existing Preservation Programs

Preservation Program	Per Acre Avg.
SADC - Farmland Preservation (Highlands Parcels Only)	\$ 9,815.88
Green Acres (Highlands Parcels Only; fee purchase)	\$ 10,264.68
Highlands TDR - Allocated HDCs to Date (35 property owners)	\$ 8,932.22
• Completed acquisitions (172 residential acres)	\$ 10,356.29

HDC Bank Initial Purchase Program

- ❑ The HDC Bank created an Initial Purchase Program to acquire Highlands Development Credits from qualified applicants and to date has completed two rounds:
 - ❖ First Round - 87 Highlands Development Credits on 109 acres acquired for \$1,392,000.
 - ❖ Second Round - 54.50 Highlands Development Credits on 81 acres to be acquired for \$872,000.
- ❑ Under the Initial Purchase Program, the Bank has closed on 174 acres, acquiring 134.25 HDCs and permanently preserving those acres. Two remaining offers are pending.

HDC Bank Initial Purchase Program

□ The HDC Bank approved a Third Round under the purchase program with two new priority acquisition categories with the following schedule:

1. February 24, 2011 - HDC Allocation Application due to the Highlands Council, including copy of deed and documentation of hardship;
2. June 23, 2011 - HDC Certificate Application due to the HDC Bank seeking an offer to purchase HDCs.

HDC Bank Initial Purchase Program

- ❑ The HDC Bank has 5 priority acquisition categories:
 1. Missed qualifying for Exemption #3 and have extenuating financial circumstances;
 2. Suffer from extenuating financial circumstances;
 3. Missed qualifying for Exemption #3;
 4. Qualified for Exemption #3, but exemption expired; or
 5. Property located in either Special Environmental Zone or High Value Agricultural Priority Area, and property owner previously offered property for preservation purposes.

HDC Hardship Consideration

- ❑ To qualify for **extenuating financial circumstances**, a property owner must demonstrate that:
 - (1) the owner is experiencing an extenuating financial circumstance; **and**
 - (2) that the owner's equity in the property to which HDCs will be allocated is substantial in relation to the owner's net worth.

- ❑ Through the first 3 rounds, **24 applicants** have sought consideration under the HDC Bank's extenuating financial circumstances criteria ; 8 of those applications were approved in the first two rounds of consideration; **3 applicants qualified under the third round and 2 have sought an offer** through a HDC Certificate Application.

RESOLUTION

*Authorization to acquire HDCs
under the Third Round of
acquisition consideration and
provide notice of a Fourth Round*

Third Round Acquisition Consideration

- ❑ The Highlands Council received **36** HDC Allocation Applications for the third round. Of these:
 - ❖ **7** applied under extenuating financial circumstances and **3 owners qualified**;
 - ❖ **12** applied under Special Environmental Zone lands and only one **1 qualified** having previously offered the property for preservation purposes;
 - ❖ **5** applied under High Value Agricultural Priority Area lands and only **3 qualified** having previously offered their properties for farmland preservation.
- ❑ The remaining 12 applications were not submitted under any priority category.

7 Properties for Acquisition Consideration - Third Round

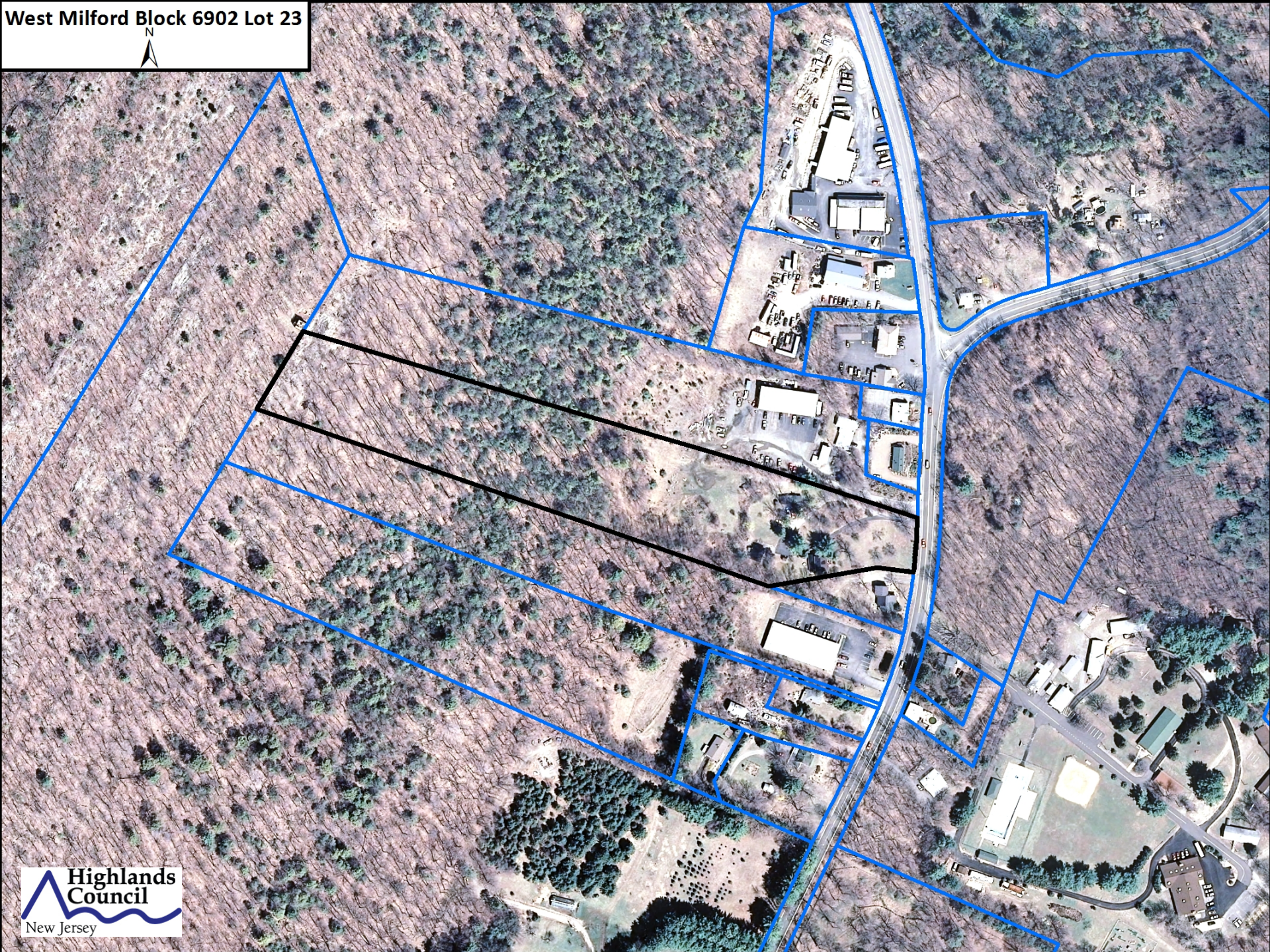
- ❑ **2 properties** qualify on basis of extenuating financial circumstances;
- ❑ **1 property** qualifies on basis that Exemption #3 expired;
- ❑ **4 properties** qualify on the basis that all or portion of property is within the High Value Agriculture Priority Area, property was offered for preservation, but not eligible.

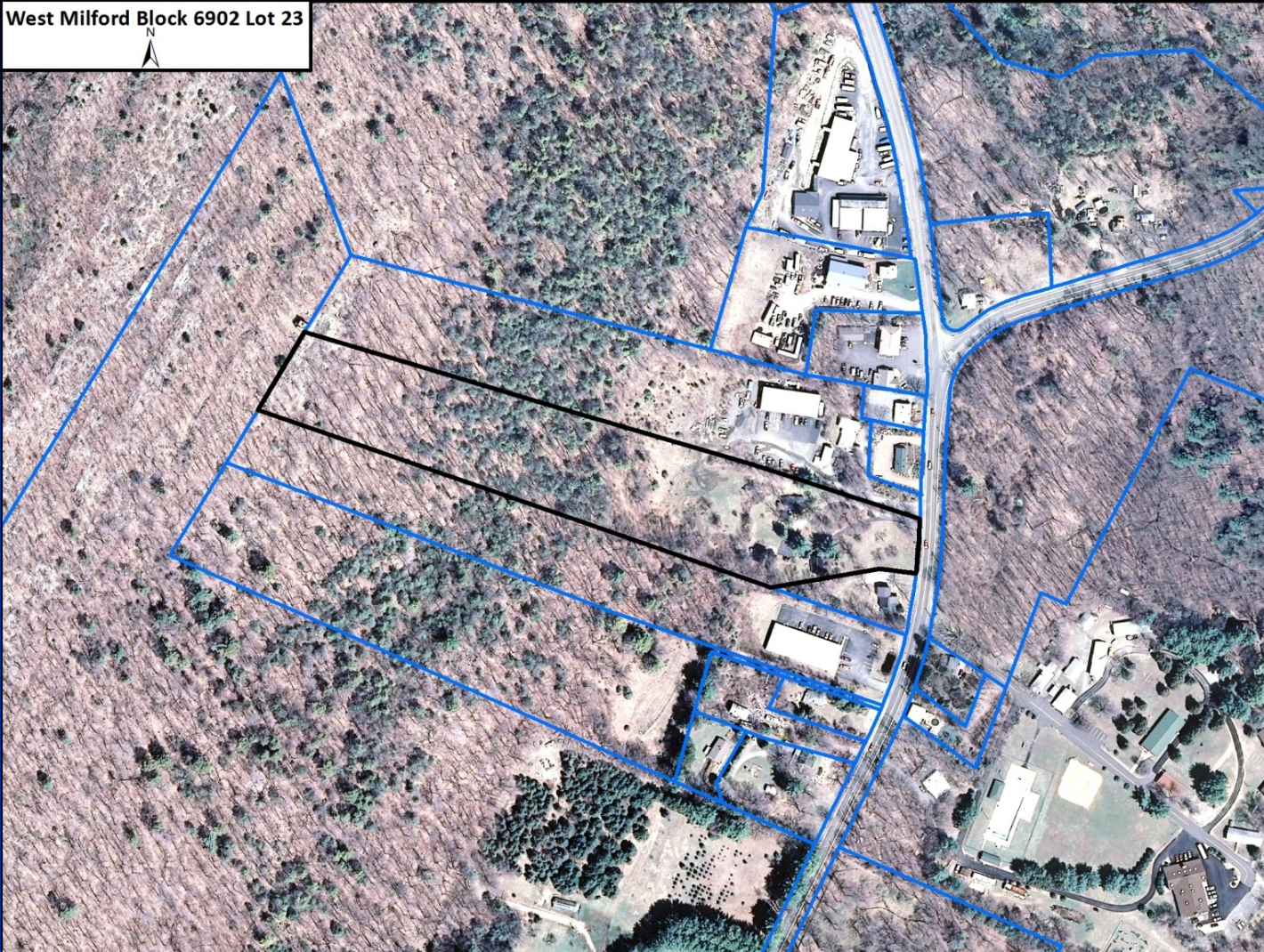
7 Properties for Acquisition Consideration - Third Round

- A. West Milford Township, Block 6902, Lot 23
- B. Washington Township (Warren), Block 40, Lots 33.01 & 109
- C. West Milford Township, Block 8002, Lot 4
- D. Tewksbury Township, Block 6.04, Lot 23.01
- E. Independence Township, Block 23, Lot 3
- F. Franklin Township, Block 15, Lot 11.03
- G. Washington Township (Morris), Block 37, Lot 29

Property A

West Milford Township



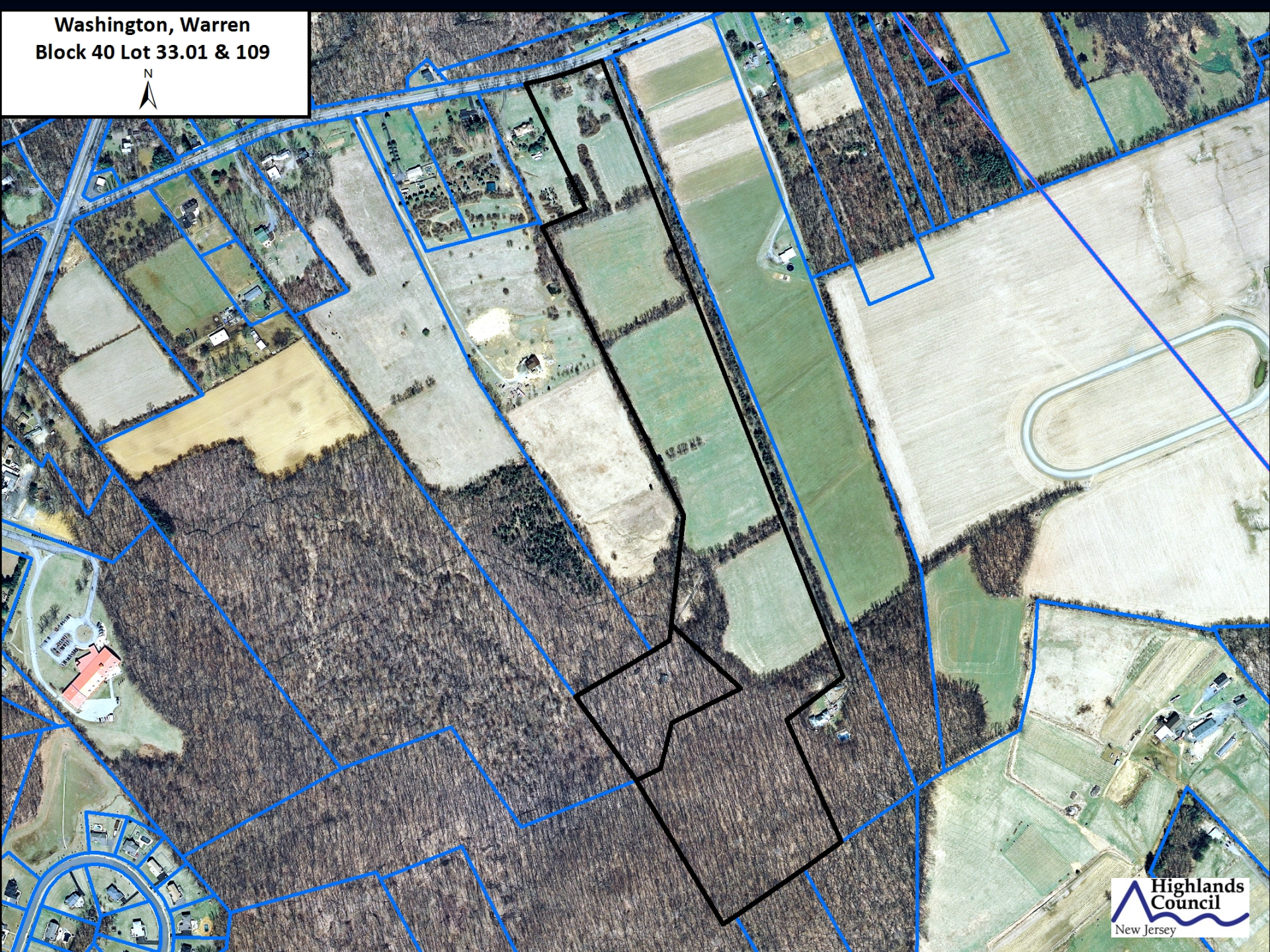


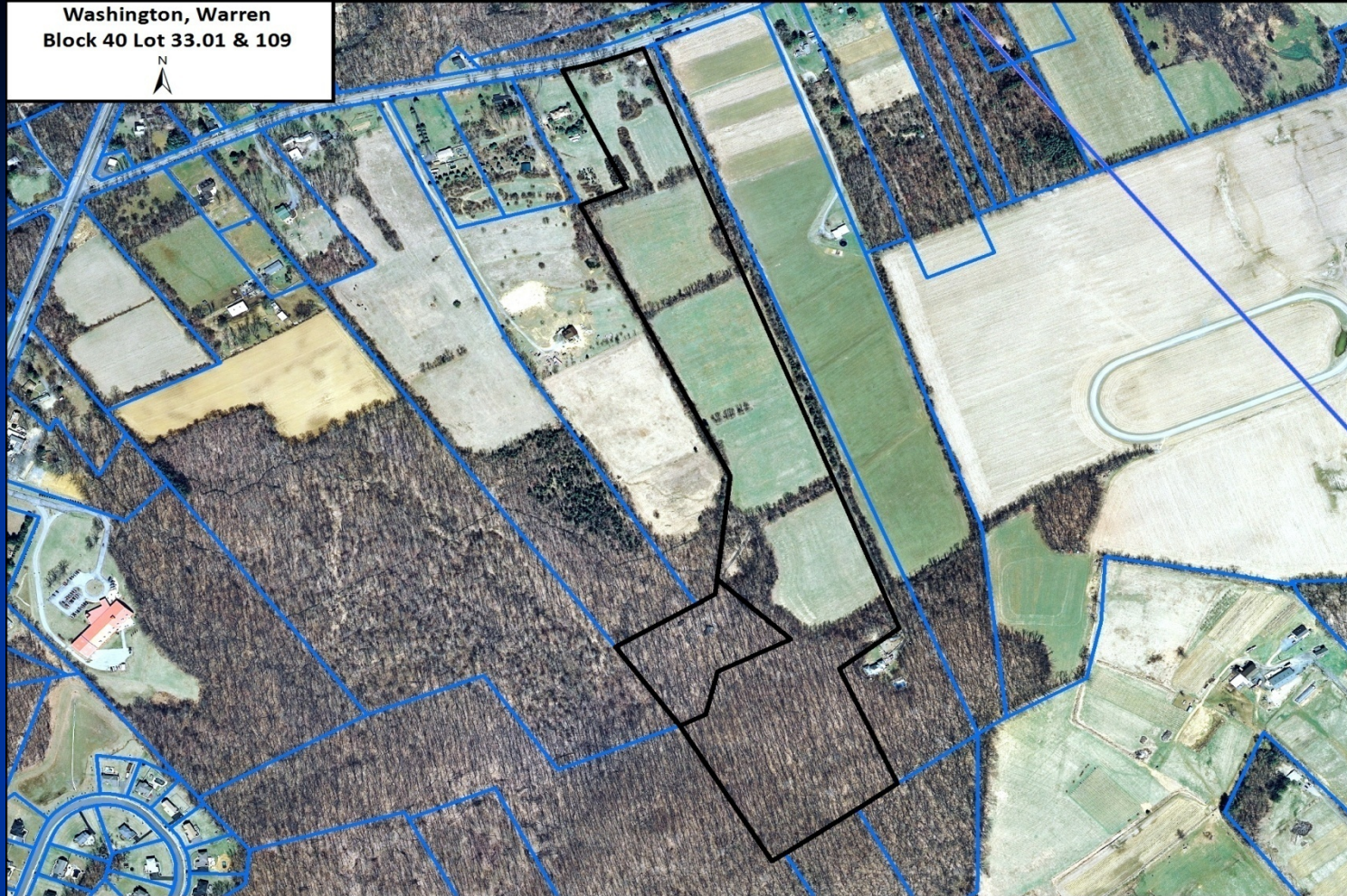
- ❖ 6.95 acres
- ❖ Split zoned for commercial and residential use
- ❖ 30.25 HDCs allocated
- ❖ A conservation deed of easement will be applied

Property B

Washington Township (Warren)

Washington, Warren
Block 40 Lot 33.01 & 109





- ❖ 43.75 acres
- ❖ Zoned for residential use
- ❖ 16.75 HDCs allocated
- ❖ An agricultural deed of easement with conservation protection will be applied (woodland management exemption); conservation deed for small parcel

Property C

West Milford Township





- ❖ 26.33 acres
- ❖ Zoned for high density residential use
- ❖ 122.5 HDCs allocated
- ❖ A conservation deed of easement will be applied

Property D

Tewksbury Township





- ❖ 25.41 acres
- ❖ Zoned for residential use
- ❖ 22.25 HDCs
- ❖ An agricultural deed of easement will be applied with conservation protections for the forested portion (woodland management exemption)

Property E

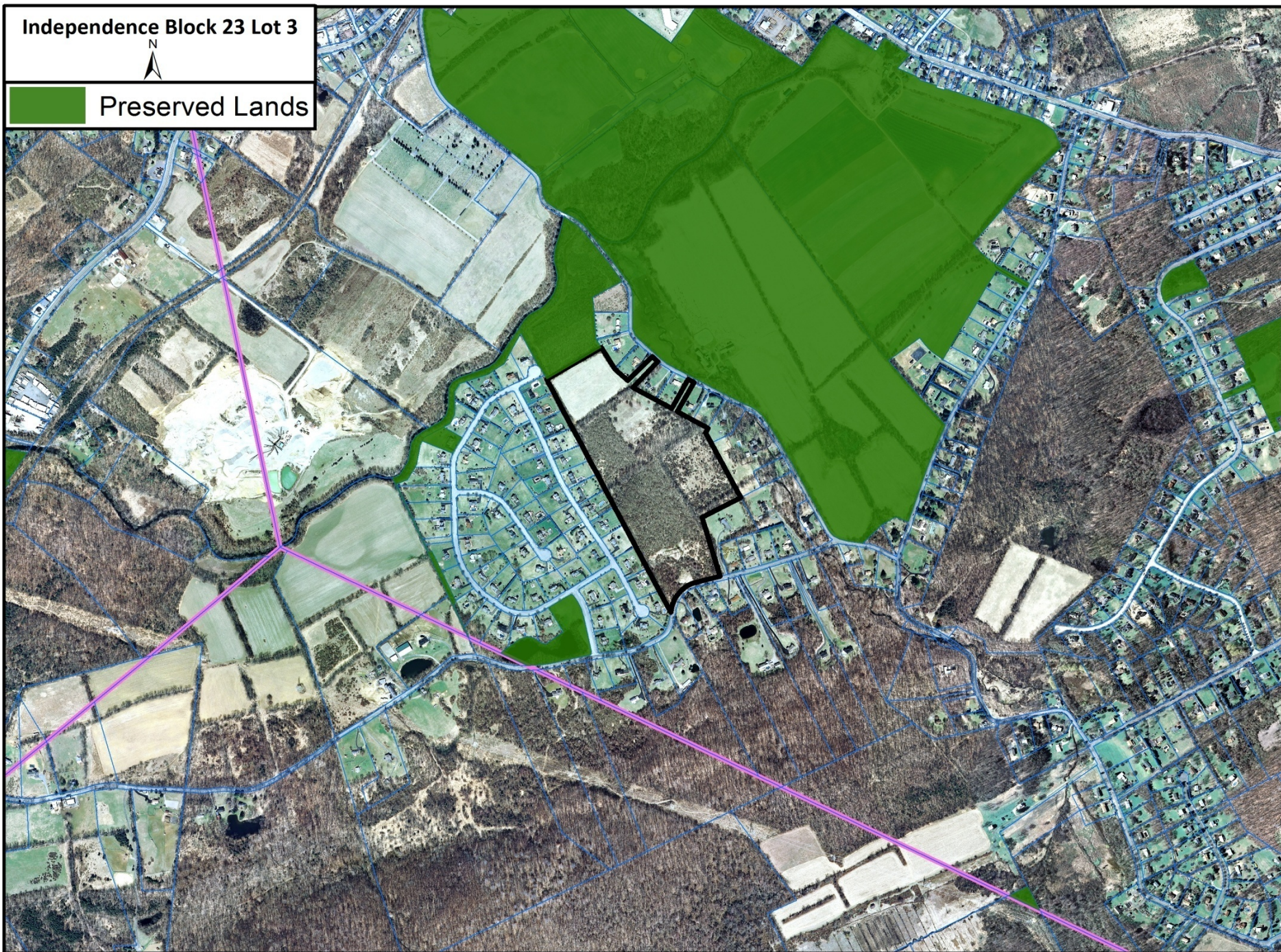
Independence Township



Independence Block 23 Lot 3



Preserved Lands





- ❖ 41.54 acres
- ❖ Zoned for residential use
- ❖ 24.75 HDCs allocated
- ❖ An agricultural deed of easement with conservation protections will be applied

Property F

Franklin Township

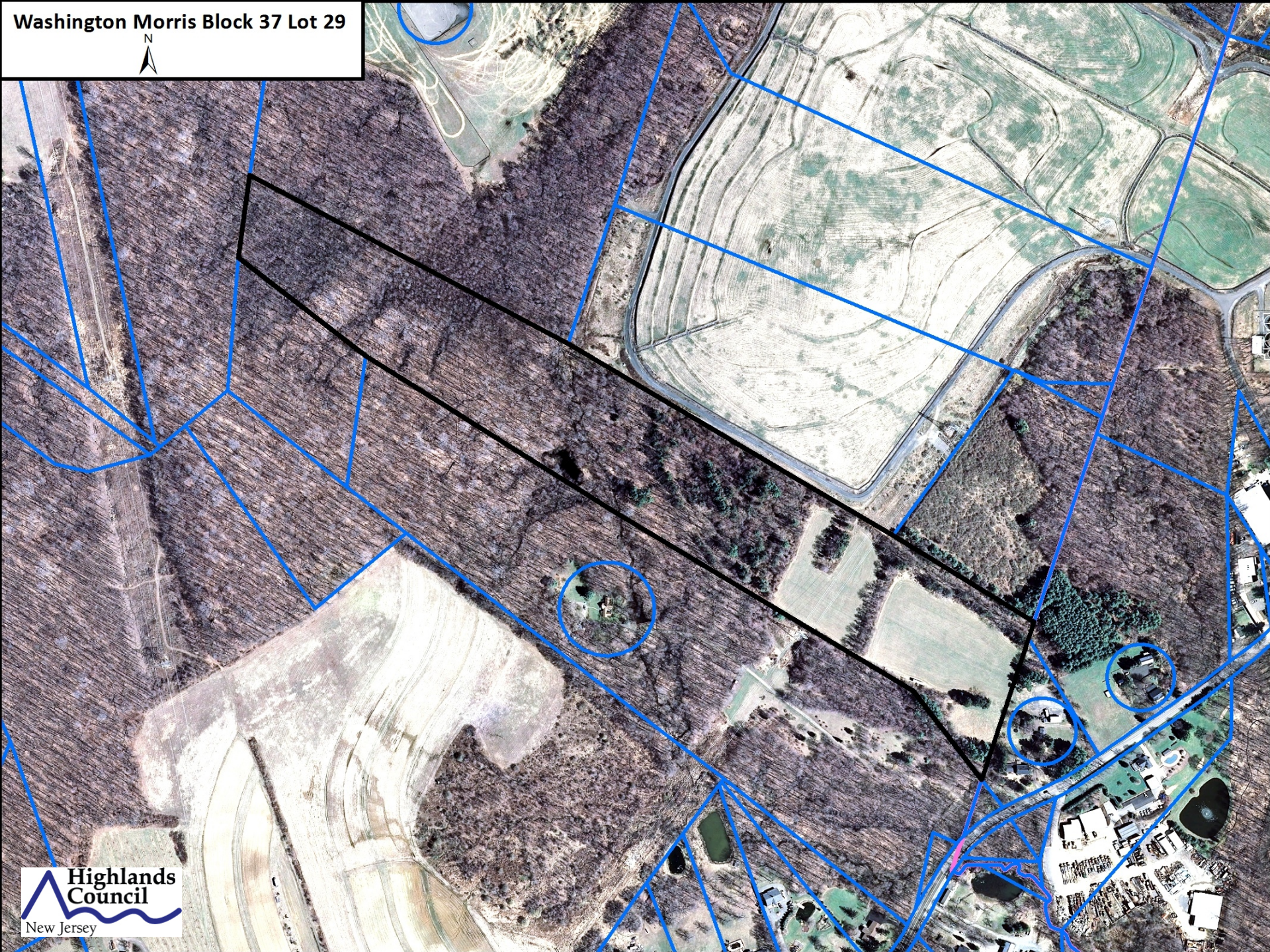




- ❖ 9.69 acres
- ❖ Zoned for commercial use
- ❖ 42 HDCs allocated
- ❖ An agricultural deed of easement will be applied

Property G

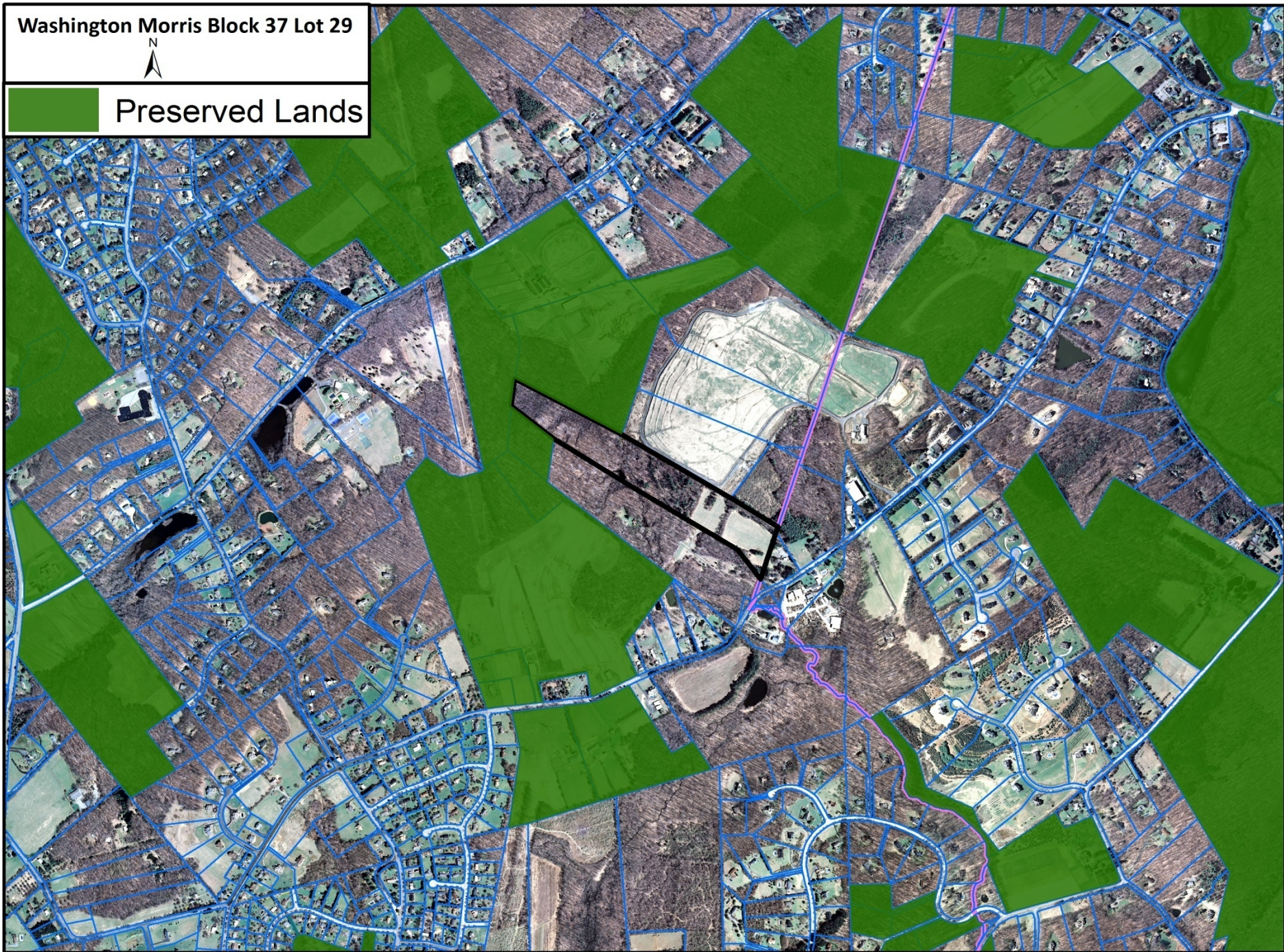
Washington Township (Morris)

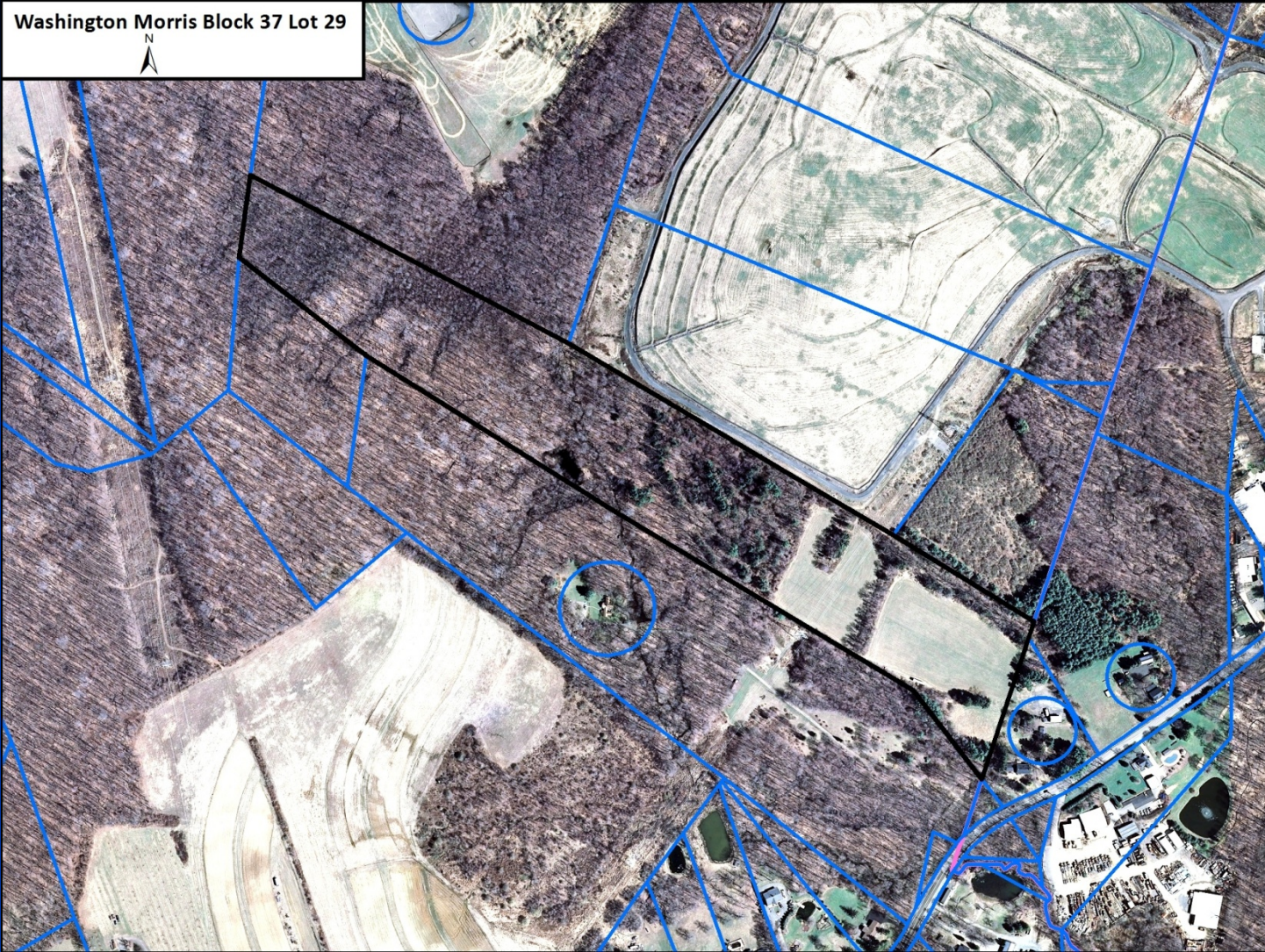


Washington Morris Block 37 Lot 29



Preserved Lands





- ❖ 29.84 acres
- ❖ Zoned for residential use
- ❖ 3.25 HDCs
- ❖ A conservation deed of easement with that permits continuation of existing agricultural operations will be applied

HDC Acquisition Process - Next Steps

- ❑ Executive Director of the HDC Bank issues Offer Letters to purchase HDCs; offers must be accepted within 30 days of date of offer letter (with an opportunity for extension);
- ❑ HDC Bank and property owner work to complete necessary documentation to effectuate transaction, including recording of appropriate deed of easement and issuance of HDC Certificate;
- ❑ Closing of HDC purchase to occur at appropriate county clerk's office with transfer of HDC Certificate and issuance of check.

Offer Letter Contents

- ❑ Offer letter will include the following information:
 - ❖ A listing of the municipality and block and lot of the parcel(s);
 - ❖ The number of HDCs to be purchased;
 - ❖ The price per HDC to be acquired by the HDC Bank;
 - ❖ For applicants qualifying on basis of extenuating financial circumstances, offer to pay closing costs associated with HDC transaction, up to a maximum of \$2,500; costs paid on a reimbursement basis upon presentation of invoices indicating the closing costs incurred.
 - ❖ An explanation of the documentation necessary to complete the transaction, including a deed of easement.

Fourth Round of HDC Acquisition

- ❑ Upon completion of third round of acquisitions, there will be over **\$2 million** remaining in acquisition funds.
- ❑ It is recommended that the existing acquisition priority categories remain the same for the fourth round for two reasons:
 - Large number of property owners that applied under round 3 but need additional time to provide information that they sought preservation and were declined.
 - Allow continued opportunity for property owners with extenuating financial circumstances.

RESOLUTION

Annual Meeting Schedule for 2012

Proposed Meeting Schedule 2012

The proposed schedule for the **Fourth Round** as follows:

- ❑ HDC Allocation Applications due to Highlands Council by **November 3, 2011**;
- ❑ HDC Certificate Applications due to HDC Bank by **December 29, 2011**;
- ❑ HDC Bank to consider fourth round applications at **February 2, 2012** meeting.

The proposed meeting schedule 2012 follows:

- ❑ **February 2, 2012 at 4 p.m.**
- ❑ **November 1, 2012 at 4 p.m.**

RESOLUTION

Support for Additional Acquisition Funding

Resolution – Support for Additional Funding

- ❑ HDC Bank initially capitalized with **\$10,000,000** to acquire HDCs from landowners while Highlands Council working to establish voluntary receiving zones.
- ❑ The Council continues to work with **11 municipalities** through **TDR Receiving Zone Feasibility Grants**.
- ❑ Additionally, 5 municipalities that have pending Petitions for Plan Conformance before the Highlands Council will be examining the possibility of voluntary receiving zones. The municipalities are **Alpha, Hackettstown, Oxford, Pohatcong** and **Wharton**.
- ❑ While voluntary receiving zones are being examined, there is a clear need for additional capital funds.

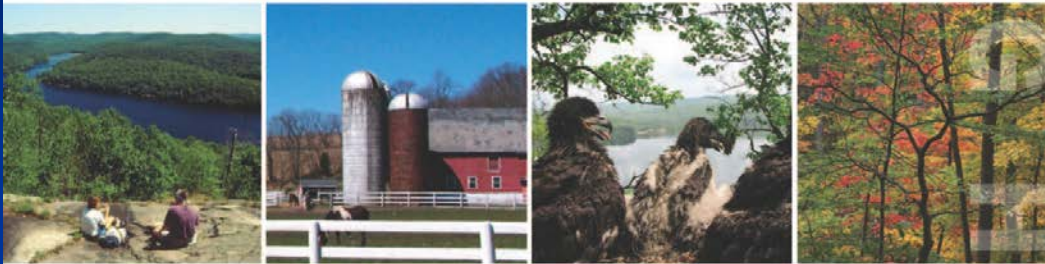
Resolution – Support for Additional Funding

□ Draft resolution asks that the Executive Branch and the Legislature examine means of replenishing the HDC Bank's initial capitalization with an **additional \$10,000,000**. This additional funding will enable the HDC Bank to:

- 1) Continue its HDC acquisition program to ensure the continued protection of critical Highlands' natural and agricultural resources; and
- 2) Guarantee that landowner equity concerns continue to be addressed by the State through all the mechanisms afforded in the Highlands Act.

□ Resolution suggests examining a variety of potential funding sources, including monies approved through the federal Highlands Conservation Act; the Green Acres, Water Supply and Floodplain Protection, and Farmland and Historic Preservation Bond Act of 2009; penalties assessed for violations of the Highlands Act; funding for economic mitigation of impacts to Highlands resources; or any other source, program or financial mechanism that may be available for funding such acquisition.

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