

**HIGHLANDS DEVELOPMENT CREDIT BANK
MINUTES OF THE MEETING OF NOVEMBER 27, 2012**

PRESENT

THEODORE MAGLIONE)	ACTING CHAIRMAN
DALE DAVIS III)	DIRECTOR
SUSAN E. PAYNE)	DIRECTOR
KENNETH KLIPSTEIN)	DIRECTOR
ANDREW L. MCELROY)	DIRECTOR
JIM RILEE)	DIRECTOR
GREG ROMANO)	DIRECTOR
ROBERT WALTON)	DIRECTOR

ABSENT

ROBERT HOLTAWAY)	DIRECTOR
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CALL TO ORDER

The Acting Chairman, Theodore Maglione, called the 14th meeting of the Highlands Development Credit Bank Board of Directors to order at 4:05 pm. Acting Chairman Maglione welcomed the Bank Board's new member Greg Romano.

ROLL CALL

Roll call was taken. All members were present with the exception of Robert Holtaway. *The following Council staff members were present: Gene Feyl, Margaret Nordstrom, Chris Danis, Kim Kaiser, James Humphries, Herbert August, Carole Diction, Tom Tagliareni and Ranji Persaud.*

OPEN PUBLIC MEETINGS ACT

Acting Chairman Maglione announced that the meeting was held in accordance with the Open Public Meetings Act at N.J.S.A. 10:4-6. The Highlands Development Credit (HDC) Bank had sent written notice of the time, date, and location of this meeting to pertinent newspapers of circulation throughout the State and posted the same on the Bank's website.

PLEDGE OF ALLEGIANCE was then recited.

Acting Chairman Maglione reported that Item #6 on the agenda – Resolution – Election of Treasurer will be tabled and postponed until the Bank's next scheduled meeting.

APPROVAL OF MEETING MINUTES AND EXECUTIVE SESSION MINUTES FOR FEBRUARY 2, 2012.

Director McElroy introduced a motion to approve the minutes and Director Klipstein seconded it. Director Holtaway was absent. The motion was APPROVED 5-0, with three abstentions.

ACTING CHAIRMAN'S REPORT

Acting Chairman Maglione had no report.

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EXECUTIVE DIRECTOR'S REPORT

Mr. Feyl began his report aided by a PowerPoint presentation.

Status of Highlands Development Credit (HDC) Allocations

Mr. Feyl reported that the Highlands Council has received HDC Allocation Applications from 86 property owners since launching the program in November 2009. To date, 61 property owners received an HDC allocation. To date, the Highlands Council has allocated a total of 1,314 HDCs to these properties representing a total HDC value of \$21,000,000. The total acreage receiving an HDC allocation to date is 2,598 acres. The average price per acre is \$8,000.

Status of Initial Purchase Program

Mr. Feyl reported that the HDC Bank created an Initial Purchase Program to acquire HDCs from qualified applicants and to date 460 HDCs, 467 acres and \$7,400,000 were approved to date. Also to date, 364 HDCs, 308 acres and \$5,800,000 have closed. Mr. Feyl reported that fund available for fifth round is \$1,600,000. Mr. Feyl then showed a chart which summarized the closed and pending offers of the Bank:

Round	# of HDCs	Acreage	Total Cost
First	87.00	109	\$1,394,500
Second	50.25	76	\$811,500
Third	229.50	129	\$3,677,000
Fourth	93.25	153	\$1,497,000
TOTALS	460	467	\$7,380,000

Mr. Feyl displayed a map showing the geographical locations of HDC allocations to date.

Mr. Feyl reported that the HDC Bank previously approved a Fifth Round of funding with the following deadlines:

- July 13, 2012– HDC allocation application deadline
- September 28, 2012– HDC Certificate Application deadline
- November 27, 2012¹ – HDC Bank meeting to review qualifying applications

Mr. Feyl then noted that the HDC Bank has established 5 priority acquisition categories of the HDC Purchase Program as follows:

1. Extenuating financial circumstances
2. Missed qualifying for Exemption #3
3. Qualified for Exemption #3, but exemption expired
4. Property located in Special Environmental Zone
5. Property located in High Value Agricultural Priority Area

Acting Chairman Maglione asked for a motion to go into Executive Session. *Director Walton made a motion at 4:11pm to go into Executive Session to review confidential financial information regarding applicants that have applied for Highlands Development Credit Certificates. Director Davis seconded the motion. The motion was APPROVED 8-0.*

¹ Rescheduled meeting of November 1, 2012 due to inclement weather.

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[EXECUTIVE SESSION]

Director Rilee made a motion to close the Executive Session and resume the HDC Bank Board meeting at 5:25pm. Director Walton seconded the motion and the motion was approved. The public was informed that the confidential financial documents were discussed in the Executive Session.

CONSIDERATION OF RESOLUTION – *Authorization to acquire Highlands Development Credits under the fifth round of acquisition consideration*

Director Walton made a motion to approve the Resolution for Property E only and Director Payne seconded it.

Mr. Humphries began a PowerPoint presentation for the Board and listed the six properties being considered:

- A. Block 877, Lot 16, Ringwood Borough, Passaic County
- B. Block 16, Lots 24 and 24.15, White Township, Warren County
- C. Block 6.25, Lots 70.01 and 70.02, Sparta Township, Sussex County
- D. Block 24, Lots 1 and 32, Hampton Borough, Hunterdon County
- E. Block 8, Lots 11 and 12.01, Bethlehem Township, Hunterdon County
- F. Block 387, Lot 8, Jefferson Township, Morris County

Mr. Humphries then displayed maps and provided additional details for each property being considered:

Property A:

- Block 877, Lot 16
- Parcel is 42.36 acres
- HDC Allocation of 26.25 HDCs based on residential and commercial zoning
- Value of the HDC allocation is \$420,000
- Owner seeking consideration under hardship criteria

Property B:

- Block 16, Lots 24 and 24.15
- Two adjacent parcels representing 14.5 acres
- HDC Allocation of 4.5 HDCs based on residential zoning
- Value of the HDC allocation is \$72,000
- Owner seeking consideration under hardship criteria

Property C:

- Block 6.25, Lots 70.01 and 70.02
- Parcel is 5.48 acres
- HDC Allocation of 7 HDCs based on residential zoning
- Value of the HDC allocation is \$112,000
- Owner seeking consideration under hardship criteria

Property D:

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- Block 24, Lots 1 and 32
- Two adjacent parcels representing 55.55 acres
- HDC Allocation of 36.5 HDCs based on industrial zoning
- Value of the HDC allocation is \$584,000
- Owner seeking consideration under hardship criteria

Property E:

- Block 8, Lots 11 and 12.01
- Parcel is 75.2 acres
- HDC Allocation of 20.5 HDCs based on residential zoning
- Value of the HDC allocation is \$328,000
- Owner seeking consideration under hardship criteria

Property F:

- Block 387, Lot 8
- Parcel is 10.27 acres
- HDC allocation of 5.76 HDCs based on residential zoning
- Value of the HDC allocation is \$92,160
- Owner seeking consideration under hardship criteria

Board Discussion

Director Klipstein commented that because of the confidential nature of these hardship issues, the Board had a lot of discussion behind closed doors. The resolution is only to offer to buy the HDCs and hopefully there will be future rounds so the Board can do its job as Bank Directors.

Director Rilee commented that Property E was the only property being considered for approval by the Board at this time.

Acting Chairman Maglione opened the floor to public comment on the Resolution.

PUBLIC COMMENT ON THE RESOLUTION

Mike Wallace, Genesis Real Estate, LLC – Mr. Wallace was confused by the Board’s recent motion and asked if the Board will consider all properties. Acting Chairman Maglione responded that all properties will be considered. Mr. Wallace commented that this is devastating to him and his family. Mr. Wallace commented that he has tried to recoup the value of his property. Mr. Wallace commented that he went to several agencies and open space and has not found any relief. Mr. Wallace commented that his situation is very real and thanks the Board for considering his application.

Matt Smetana, Sparta Township – Mr. Smetana asked for clarification on the Board’s decision to consider only one property at this time. Mr. Smetana commented that at the last meeting there was more discussion amongst the Board’s directors. Mr. Smetana feels that the applicant should have input on the Board’s position and should be included in the discussion. Mr. Smetana stated that he will contact the Governor’s office on this issue. Mr. Smetana commented that the Highlands Act

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has been a hurdle since inception. Mr. Smetana also commented that the Highlands TDR Program is set up to try to compensate those landowners who have lost the right to build on their property, and the Board takes a position, in his opinion, to further strip the rights of landowners and prevent them from getting their just compensation for their loss. Mr. Smetana urged the Board to reopen the session to receive commentary on the Board's position for denying all other five properties. Mr. Smetana concluded that he was eligible for credits and has proven his loss. Mr. Smetana does not understand where the Board is coming up with their criteria to accept or deny projects to be eligible for receiving compensation for TDRs. Mr. Smetana requested after the last meeting to receive the minutes of that meeting.

Teri Bukoski, Genesis Real Estate, LLC – Ms. Bukoski commented that as Mr. Smetana mentioned she assumes the Board received what was sent in regards to their hardship. Ms. Bukoski commented that this affects four families. Ms. Bukoski commented that it has taken a toll on the entire family and is begging the Board to reconsider the application.

Kara Zihala, Hampton Borough – Ms. Zihala commented that it is a family property and used for leisure and the insurance and taxes need to be paid and only two of the five owners are doing that in her family. Ms. Zihala asked what happens after tonight as only one property is being considered for approval. Acting Chairman Maglione responded that she could come back for consideration at the next meeting. She asked if her property would be included on the next agenda. Mr. Feyl added that if any additional information is needed she would be contacted.

Director Walton commented that one of his concerns was with corporations that own properties. In these cases the Board is not sure if the owner is experiencing a hardship as well.

Ms. Zihala further commented that the property is just land and there is a spring on it and the owners' interest is in preserving the land in addition to alleviating the hardship in paying the taxes. She would like to see the Highlands Council protect the spring and the town.

Mr. Smetana asked for the minutes of the Executive Session for all property owners to have the right to know what was discussed in the session.

Mr. Smetana wanted to know what he could receive from the Executive Session.

Mr. Feyl responded that Council staff could provide questions that were asked of the Board to the Board to be reviewed prior to making available.

There was then Board discussion to clarify that Minutes and Executive Session minutes are forwarded to Governor's Authority Unit for review. It was also discussed that Executive Session minutes are not made public.

Mr. Smetana requested questions that were raised in the Executive Session regarding his property.

Director Walton complimented staff on their efforts. Director Payne also complimented staff on their work. Director Payne looks forward to additional information and added that Property F did not qualify for hardship and the other properties would need more information to conclude consideration.

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Mike Wallace, Ringwood Township – Mr. Wallace asked why the applicants are not included in the Executive Session since they were now hearing from the Board that they need more information.

Acting Chairman Maglione responded that in this round some of the applicants had a different source of ownership than what was seen in the past. The information the Bank was looking for was not required in the past and because of the level of investigation, did not go deep enough to answer the Board's questions. Chairman Maglione clarified that this was not a shortcoming of the Council staff, it was merely a function of the fact that the Bank has grown. Acting Chairman Maglione emphasized that because of the type of ownership the Bank needs different information to affirm that it is a hardship and in the future the Bank will request this information in advance.

Mr. Wallace pleaded his hardship case to the Board and felt that he qualified for hardship and wished this process was more streamlined.

Ms. Zihala commented that the Board needs to change the process, since being allocated credits should imply no need to reevaluate.

Director Klipstein commented that the Bank is the buyer of last resort.

Acting Chairman Maglione commented that it is troubling to hear these comments and the Bank is up against a finite amount of funding.

Director Rilee commented that he understands the hardship and the Bank recognizes that a lot needs to change. Director Rilee added that it is insulting that the Bank does not have the funds as a place of last resort and it is difficult to hear these stories and others as he disagrees with what put property owners in this position.

Director Klipstein commented that the Bank is here to serve the real hardships. He further suggested that perhaps the Bank does not have to wait until February if answers the Bank needs are made available, and then a special meeting can be scheduled.

Acting Chairman Maglione responded that he would like to conclude this resolution.

Mr. Smetana commented that this is the only resort, not the last resort, and the Bank has the wrong perspective.

Acting Chairman Maglione called for a roll call vote. All Directors present voted to approve the Resolution for Property E only. The Resolution was APPROVED 8-0.

CONSIDERATION OF RESOLUTION – Annual Meeting Schedule For 2013

Director Walton made a motion and Director Rilee seconded it.

There was no Board discussion or Public Comment.

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Acting Chairman Maglione called for a roll call vote. All Directors present voted to approve the Annual Meeting Schedule for 2013. The Resolution was APPROVED 8-0.

Director Rilee commented that he would like to see the February 7, 2013 meeting used as a continuation of the fifth round for some of the applications so that before the February meeting the Board could get something from staff to review some of criteria for these applications.

Acting Chairman Maglione responded that the Bank should have something sooner to redefine the criteria.

Mr. Feyl responded that the Executive Session minutes would indicate what questions were asked regarding each application. Mr. Feyl commented to take all those questions and compile them across the board and the point concerning county equalized assessed values is critical as well. Mr. Feyl added that going through this and putting these components into the criteria will end up with other questions. Mr. Feyl asked Ms. Kaiser if there was anything that constrains the Board from continuing fifth round consideration discussion to the February meeting.

Ms. Kaiser responded that the Board could do a separate resolution to continue.

Director Romano commented that the Board should develop new criteria as the Bank is questioning the hardship and the underlining ownership of corporations and that it should be established before the next meeting so the Board knows which criteria the Bank is using to judge these applications.

Mr. Feyl responded that Council staff will prepare the questions for the Bank's review and go from there. Mr. Feyl added that the Bank can ask a lot of questions but wants to ensure they are pertinent and appropriate.

There was discussion on continuing the fifth round and the process to follow. Director Rilee commented that the Bank needs to stick to this criterion and is asking for additional information. Director Rilee emphasized that the Bank cannot change the criteria in the middle of a round and suggests the Bank continues this round to the February.

Director Payne commented if Council staff is ready to discuss this information sooner, the Bank could accelerate a meeting to reconvene and take final action.

Mr. Feyl responded that Council staff will prepare the questions for the Bank's review. Acting Chairman Maglione suggested that the Board wait to get the information back from Council staff and then it can address whether a special meeting will be scheduled.

Director Rilee made a motion to continue this public hearing regarding consideration of acquisition of certain HDCs under the fifth round of acquisition consideration. Director Walton seconded it.

**CONSIDERATION OF RESOLUTION – Continuation Of Public Hearing Regarding
Consideration Of Acquisition Of Certain Highlands Development Credits Under The Fifth Round
Of Acquisition Consideration**

There was no public comment on this resolution.

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Acting Chairman Maglione called for a roll call vote. All Directors present voted to approve the Continuation Of Public Hearing Regarding Certain HDCs Under The Fifth Round. The Resolution was APPROVED 8-0.

Acting Chairman Maglione opened the meeting to public comments.

PUBLIC COMMENT

Mike Wallace, Genesis Real Estate, LLC – Mr. Wallace asked if staff plans to contact the applicants. Acting Chairman Maglione said that Council staff will reach out to the appropriate applicants to request additional information.

Director Walton made a motion to adjourn the meeting and Direction Payne seconded it. The meeting was adjourned at 6:16pm.

CERTIFICATION

I hereby certify that the foregoing is a true copy of the minutes of the meeting of the Highlands Development Credit Bank Board.

Date: 3/14/13

Name: Annette Tagliareni
Annette Tagliareni, Executive Assistant

<u>Vote on the Approval of This Resolution</u>	<u>Motion</u>	<u>Second</u>	<u>Yes</u>	<u>No</u>	<u>Abstain</u>	<u>Absent</u>
Director Davis			✓			
Director Holtaway					✓	
Director Klipstein			✓			
Director Maglione		✓	✓			
Director McElroy			✓			
Director Payne	✓		✓			
Director Rilee						✓
Director Romano			✓			
Chairman Walton			✓			