

For Discussion Purposes



TAC CHARRETTE WORKBOOK

Financial Component

NEW JERSEY HIGHLANDS COUNCIL

March 28, 2006



Overview of RMP Goals and Structure

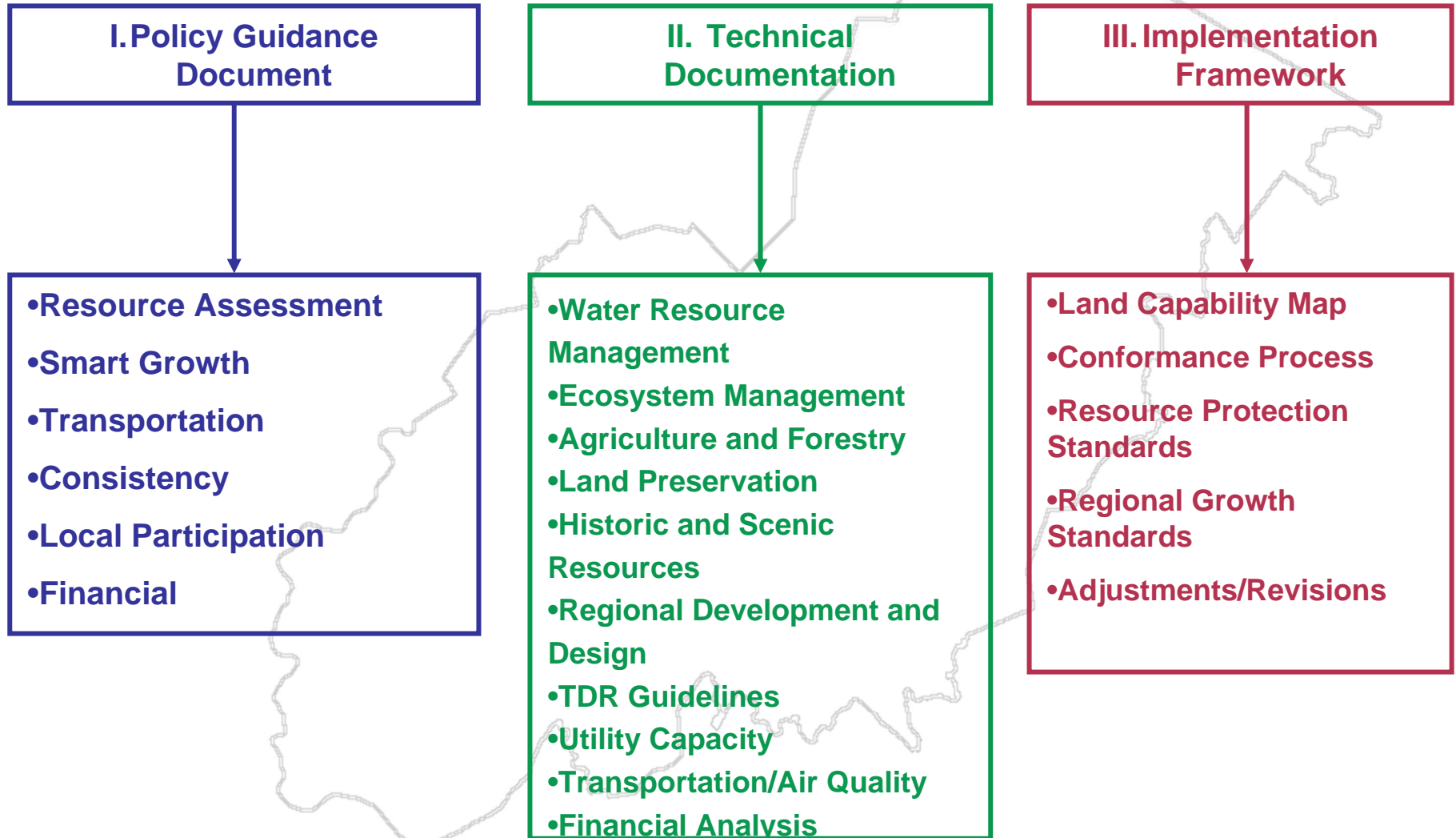
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New Jersey Highlands

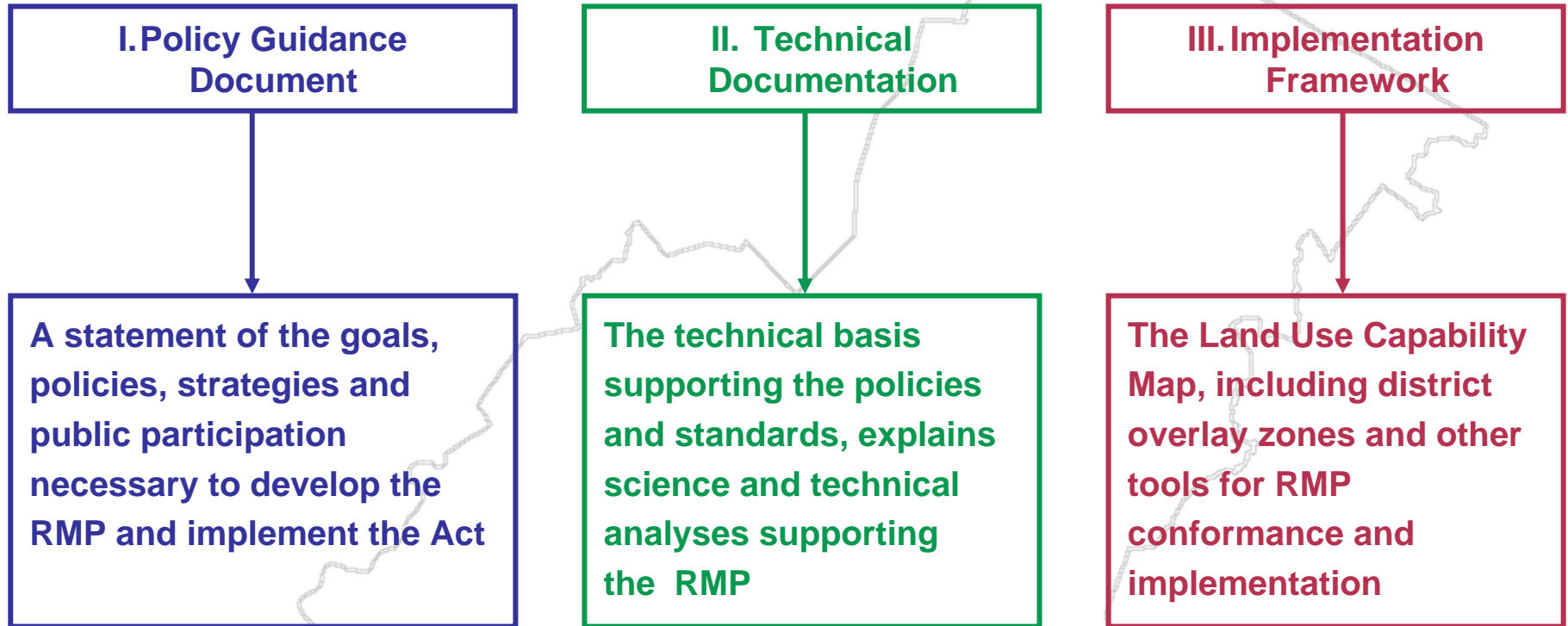
Goals of the Act

- **Protect and conserve the quality and quantity of drinking water**
 - **Protect natural, scenic, recreational, cultural and historic resources**
 - **Preserve contiguous lands in their natural state**
 - **Preserve farmland and farming**
 - **Promote appropriate patterns of development, redevelopment and economic growth**
 - **Promote a sound and balanced transportation system**
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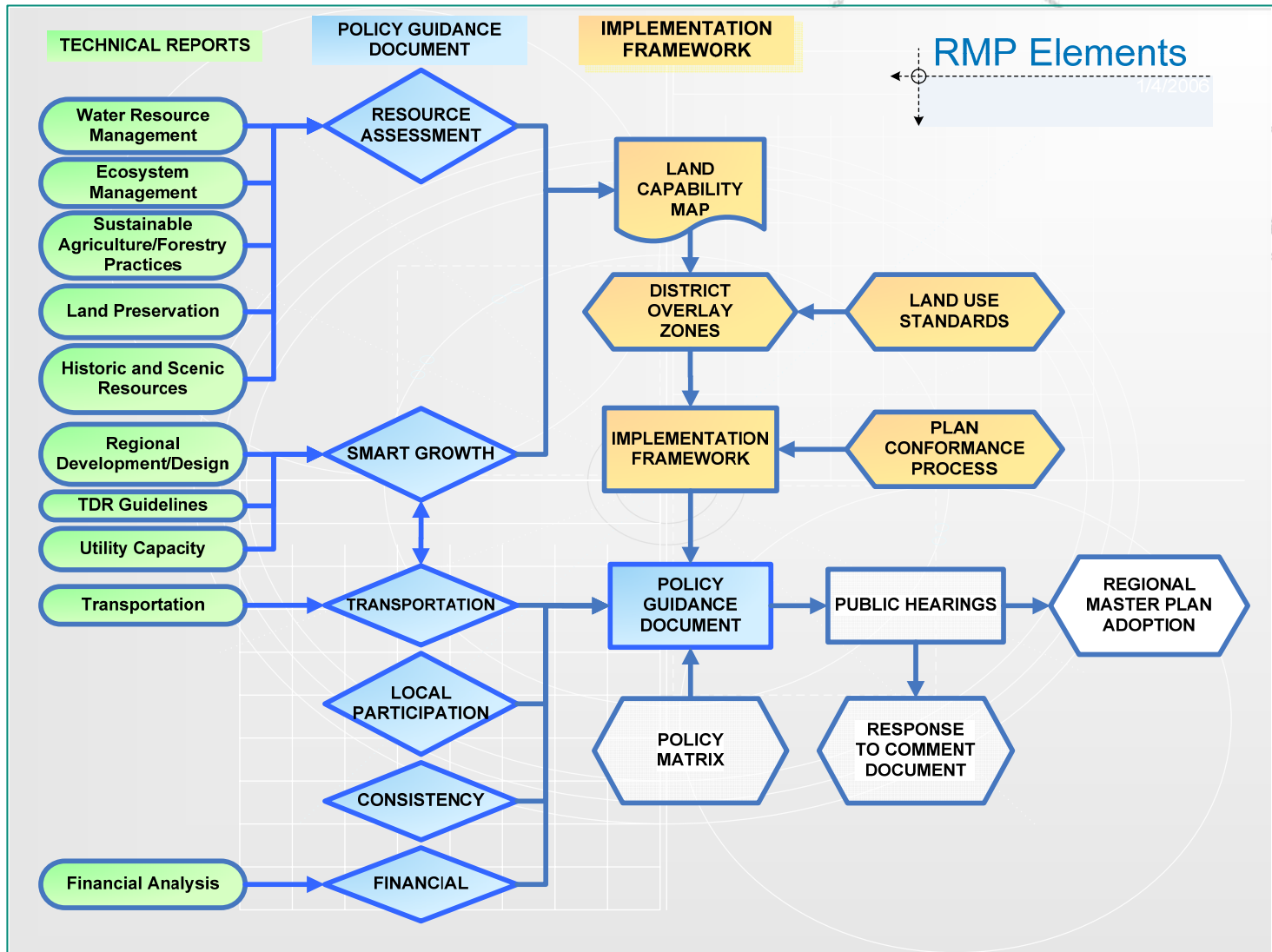
Highlands Regional Master Plan



Highlands Regional Master Plan



Highlands Regional Master Plan





**Financial Component
Requirements of the Act**

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Financial Component

Requirements of the Act

The Act specifically charges the Council with developing “a financial component”; together with a cash flow timetable which:

details the cost of implementing the regional master plan, including, but not limited to, property tax stabilization measures, watershed moratorium offset aid, planning grants and other State aid for local government units, capital requirements for any development transfer bank, payments in lieu-of-taxes, acquisition, within five years and within 10 years after the date of enactment of this act, of fee simple or other interests in lands for preservation or recreation and conservation purposes, compensation guarantees, general administrative costs, and any anticipated extraordinary or continuing costs and details the source of revenue for covering such costs, including, but not limited to, grants, donations, and loans from local, State, and federal departments, agencies, and other governmental entities, and from the private sector.

Highlands Act, N.J.S.A. 13:20-11.a(2)



Technical Approach and Methods Financial Component

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Financial Component

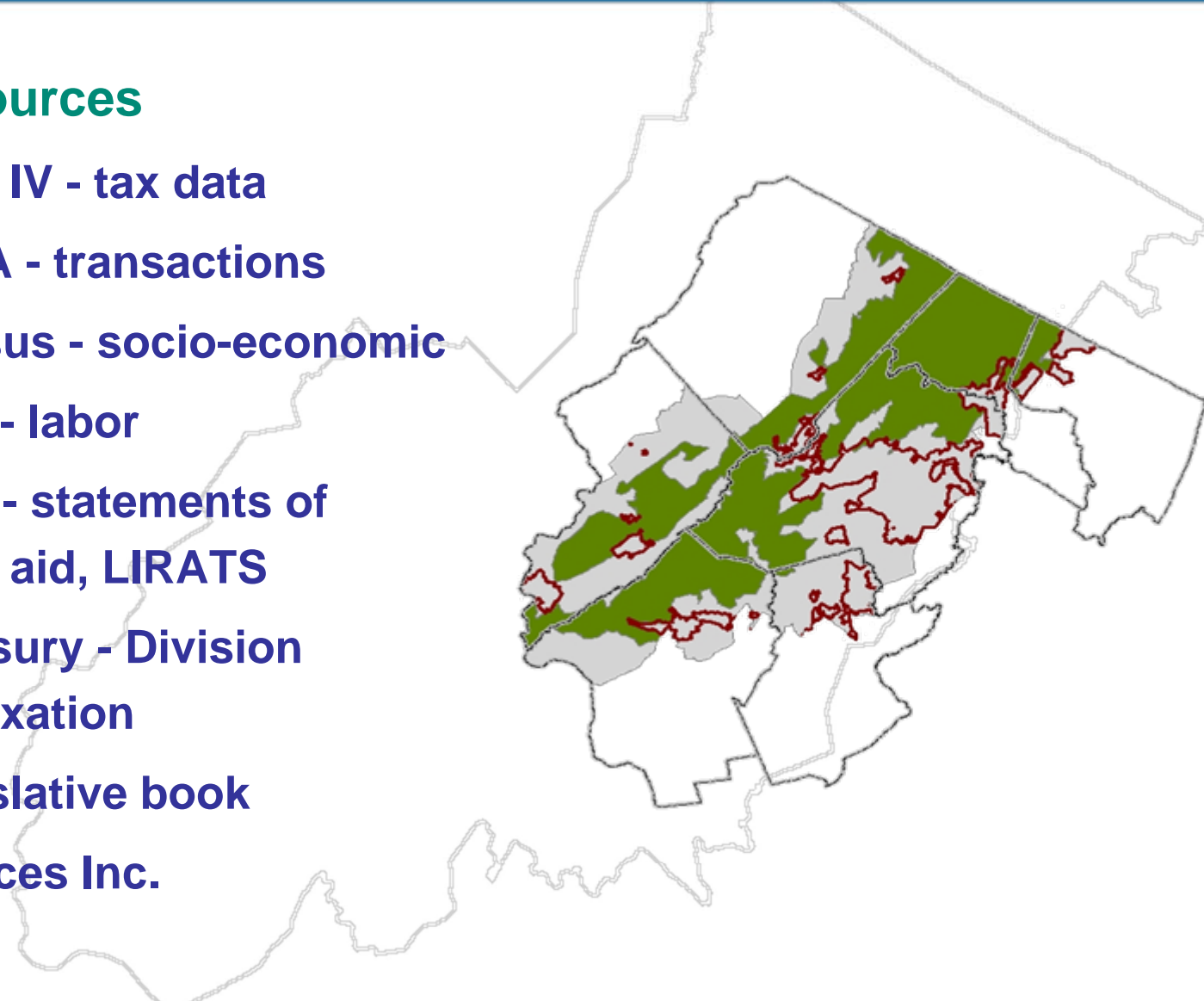
Program Objectives

- **Detail the cost and revenues of implementing the Regional Master Plan**
 - **Establish a baseline of economic indices for current and long term monitoring**
 - **Provide a Fiscal Impact Analysis for the four build out scenarios (Trend, Plan, Highlands, Highlands w/ Growth recommendations)**
 - **Examine current property tax components**
 - **Investigate the economic benefits of open space preservation**
- 

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Data Sources

- MOD IV - tax data
- SR1A - transactions
- Census - socio-economic
- DOL - labor
- DCA - statements of state aid, LIRATS
- Treasury - Division of Taxation
- Legislative book
- Vertices Inc.



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Technical Approach

■ Cash Flow Timetable

- Incorporate model for indicator consideration
- Assess mandated and RMP affects
- Assign time variable for each indicator
- Project gap or surplus for each

■ Economic Indicators

- Identify indicators
- Develop metric, formula, and outputs for each
- Establish baseline data for long-term monitoring program

■ Fiscal Impact Analysis

- - Review and approve FIA formula
- - Approve infrastructure assessment
- - manage contracts
- - integrate into financial component

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Technical Approach

- **Property Tax Analysis**
 - Identify scope and tax rate components
 - Run regression model
 - Assess correlations
 - Develop analysis based on study
- **Economic Benefits of Open Space Preservation**
 - Identify scope and background
 - Perform resource evaluation

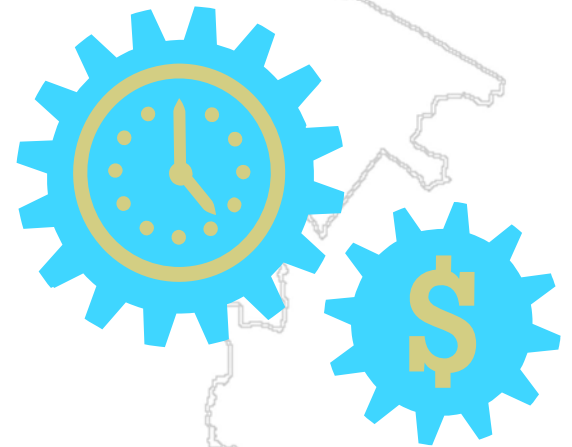


Financial Component

Cash Flow Timetable Indicators

Revenue and Costs

- **Land Acquisition**
- **State and Federal grant programs (planning and smart growth grants, etc.)**
- **State Aid**
 - **Property Tax Stabilization**
 - **Energy Tax Receipts**
 - **Consolidated Municipal Property Tax Relief Aid**
 - **Legislative Initiative Municipal Block Grant**
 - **Municipal Homeland Security Assistance Aid**



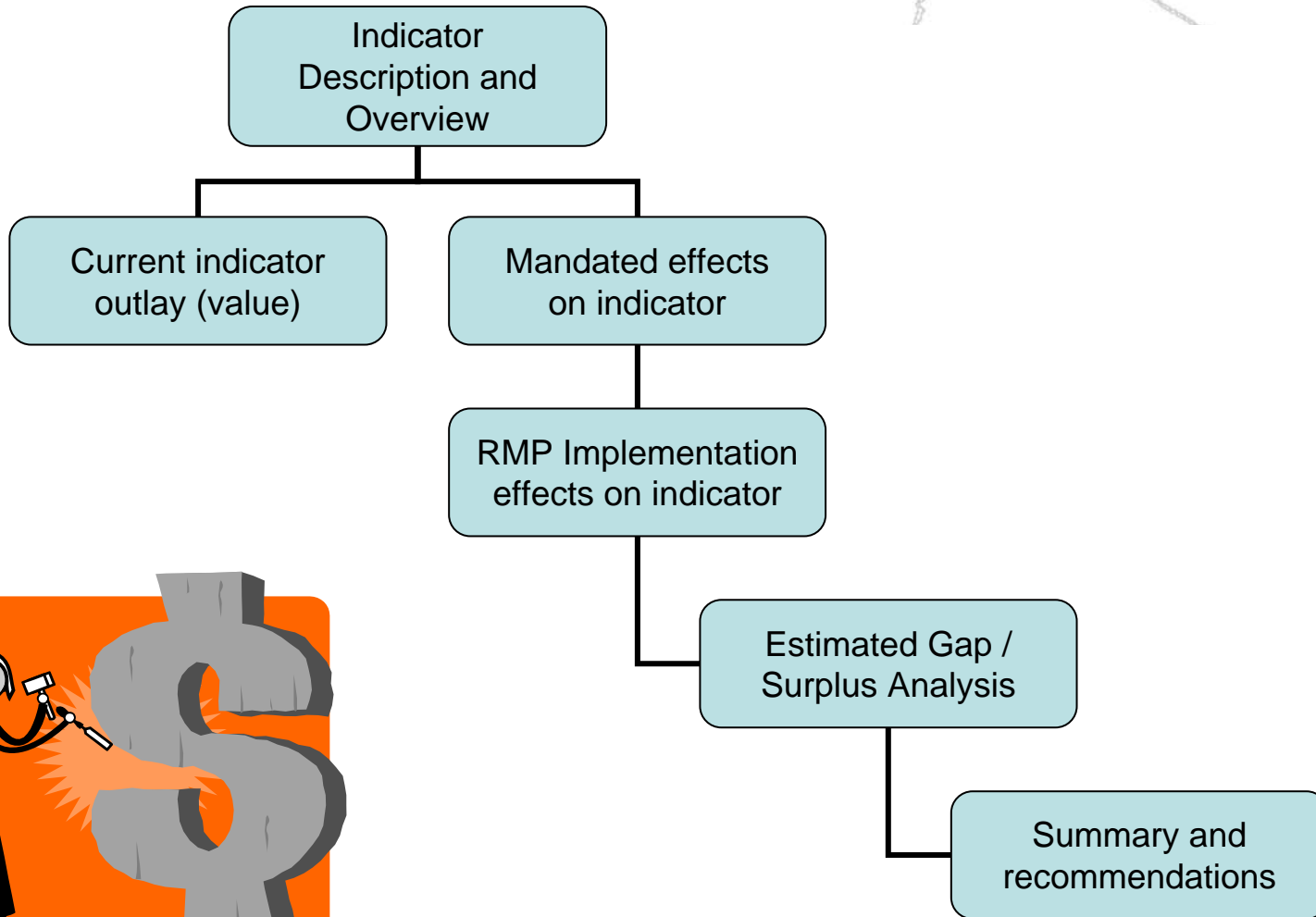
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Cash Flow Timetable Indicators - page 2

- **State Aid (continued)**
 - Watershed Moratorium Offset Aid
 - Extraordinary Aid
 - Garden State Trust Payment in Lieu-of-taxes (PILOTS)
 - Local and Regional School District Portion
 - County Portion
- **Capital requirements for any development transfer bank**
- **Donations and Loans from local, State, and Federal Dept.'s, agencies, and entities**
- **Anticipated extraordinary or continuing costs**
- **General administrative costs**



Cash Flow Timetable



Cash Flow Timetable

Economic Indicators

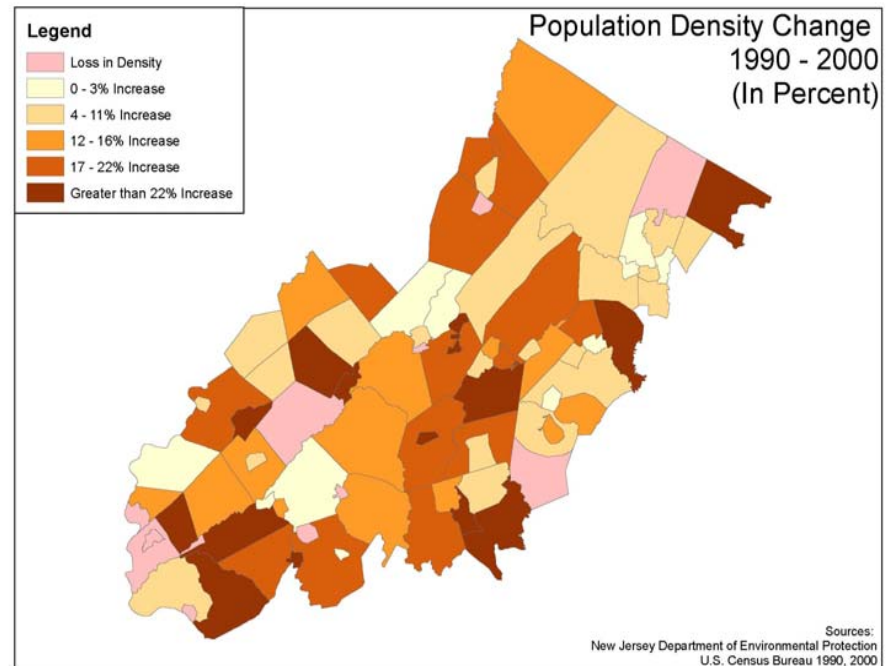
- Population
- Employment
- Land Transactions
- Income
- Assessed Values
- New Development Rates
- Tax rates



Cash Flow Timetable

Population

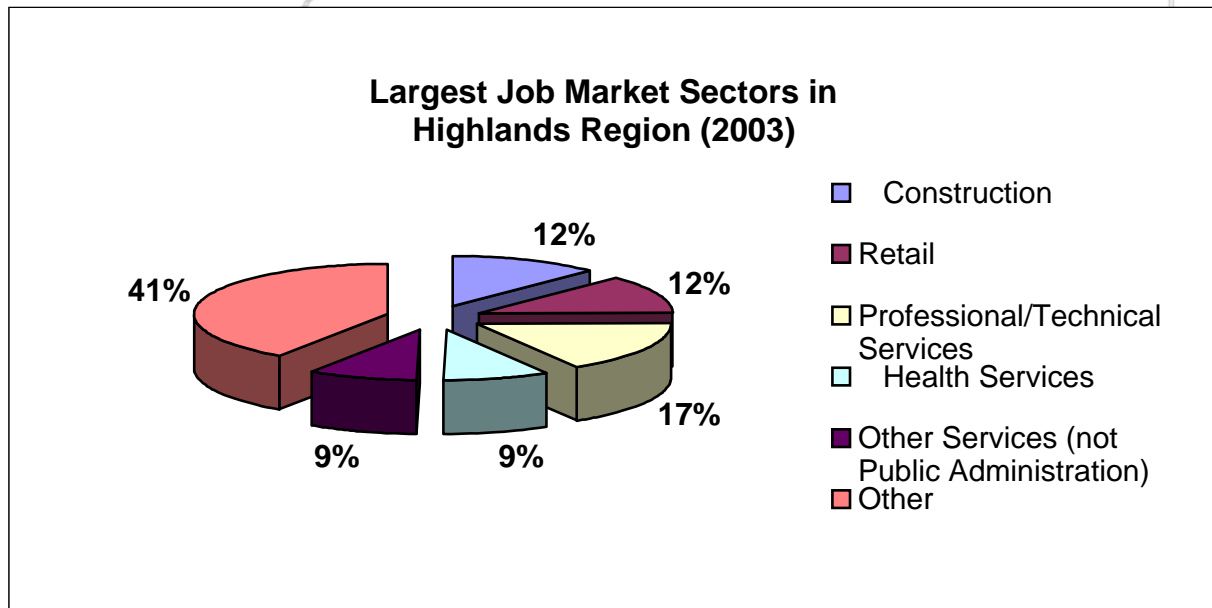
- **Metric** Census data from 1990, 2000, 2002 and 2004
- **Formula** Chart numbers and provide change as a percent
- **Outputs** Population and % change per region, municipality, county, plan/pres/mix



Cash Flow Timetable

Employment

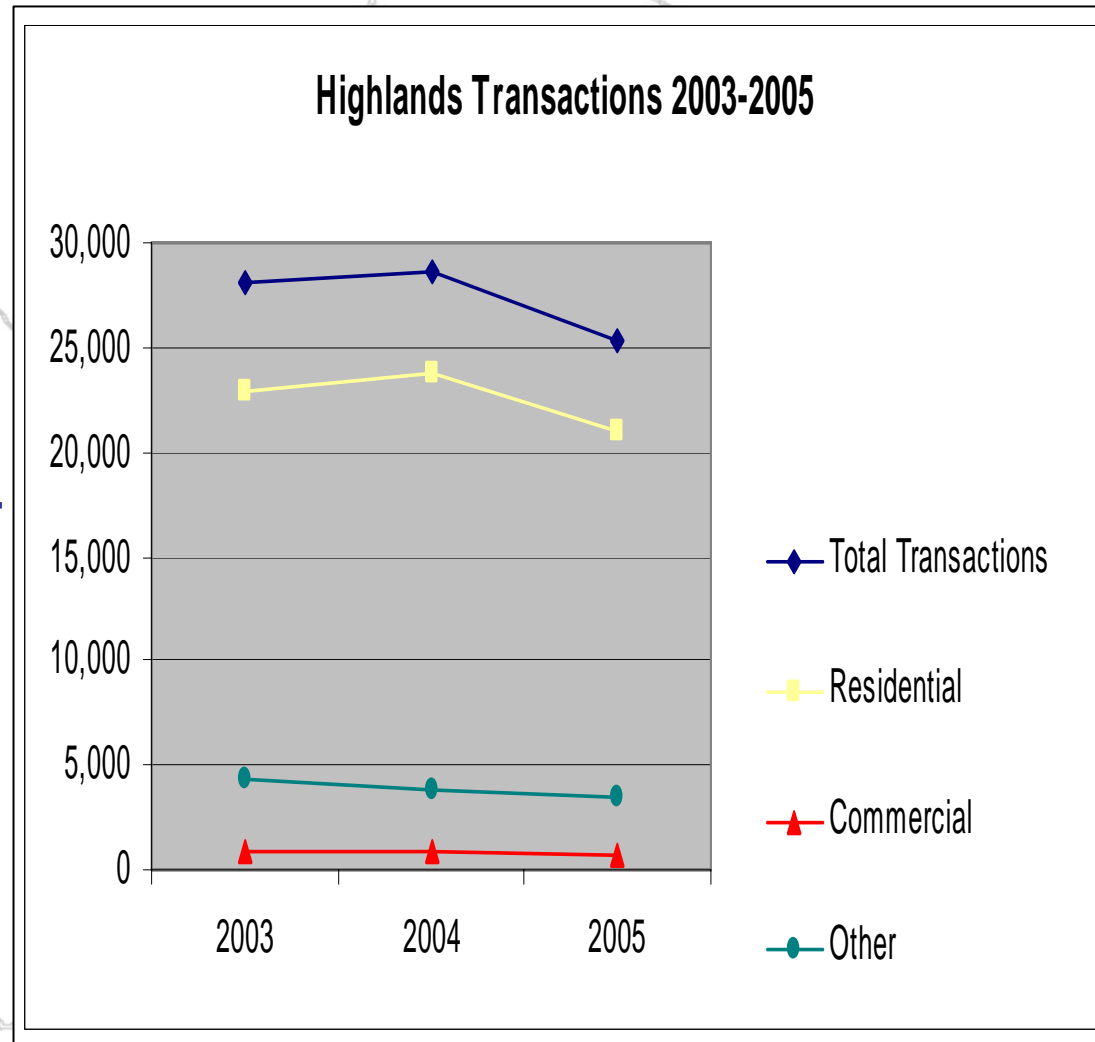
- Metric unemployment rate in 1990, 2000, 2002, 2004
- Formula labor force – employment / labor force
- Outputs per region, municipality, Pres/Plan/Mix, county.
Include graph charting regional trend from 1990-2004



Cash Flow Timetable

Land Transactions

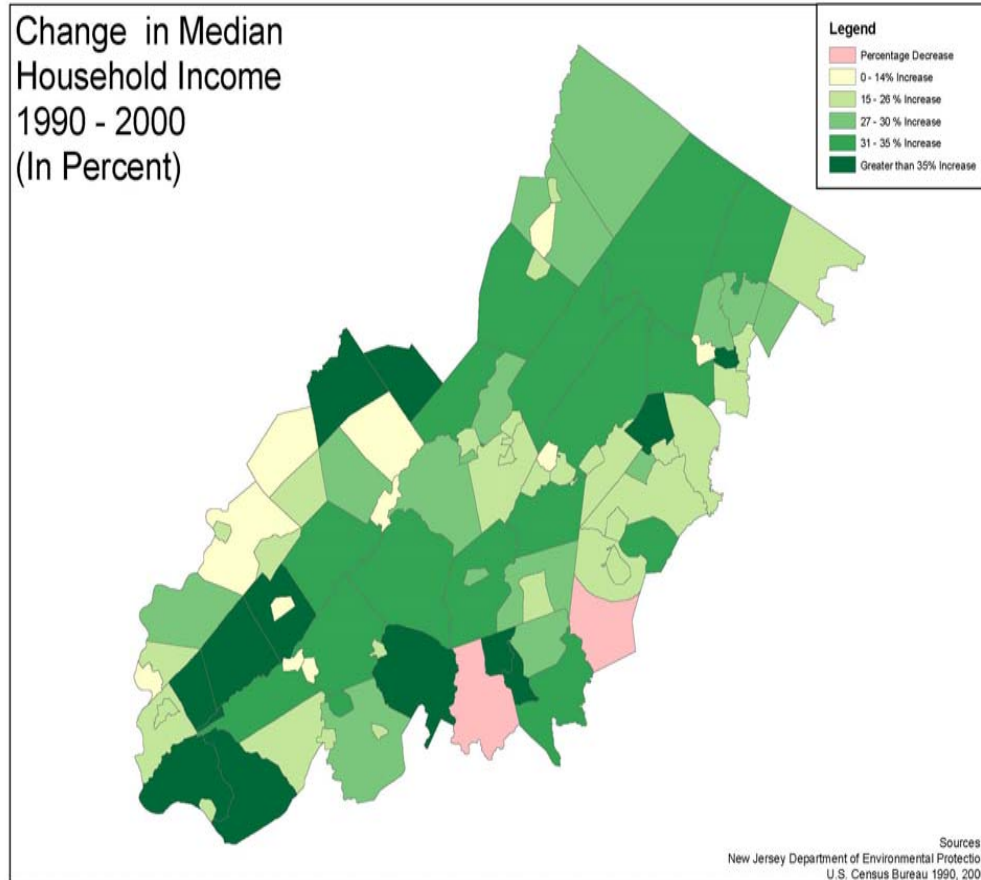
- Metric - % change in permits for residential, commercial and “other” uses – 2000-2005
- Formula – chart permits per use for 2000, 2001, 2002, 2003, 2004, and 2005. Ave. from 2000-2004 compared to 2005
- Outputs – expressed as number of permits and percentage change from aver. 2000-2004 to 2005 per region, municipality, Pres/plan/mix, and county (compared to whole county)



Cash Flow Timetable

Income

- Metric Census data from 1990, 2000, 2002 and 2004
- Formula chart numbers and provide change as a percent
- Outputs – Income and % change per region, municipality, county, plan/pres/mix



Cash Flow Timetable

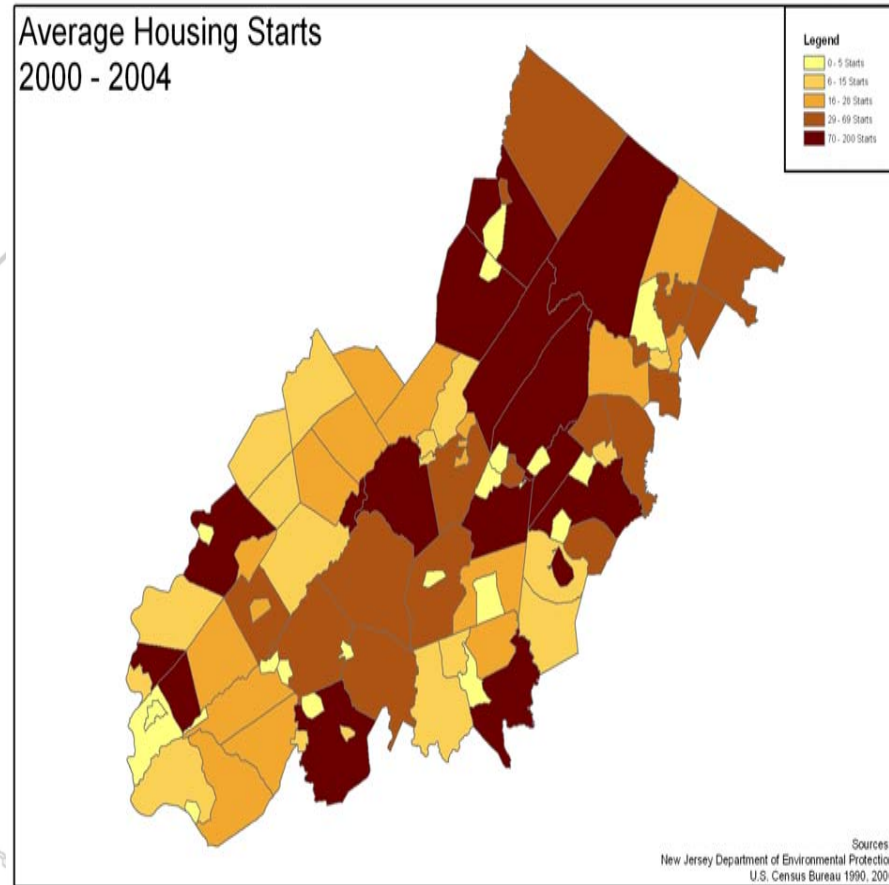
Assessed Values

- **Metric** Chart change in acreage compared to change in assessed value for vacant land, residential, farm land, farm homestead, commercial, industrial, and apartment parcels
- **Formula** $2000 \text{ use acres} / 2000 \text{ assessed value} = 2000 \text{ per acre value}$. Calculate same for 2004 to arrive at 2004 per acre value. Express percentage change in development value between the two arrives at percent change per acre
- **Outputs** increase in development value expressed as a percentage for each use listed per region, municipality, county, pres/plan/mix

Cash Flow Timetable

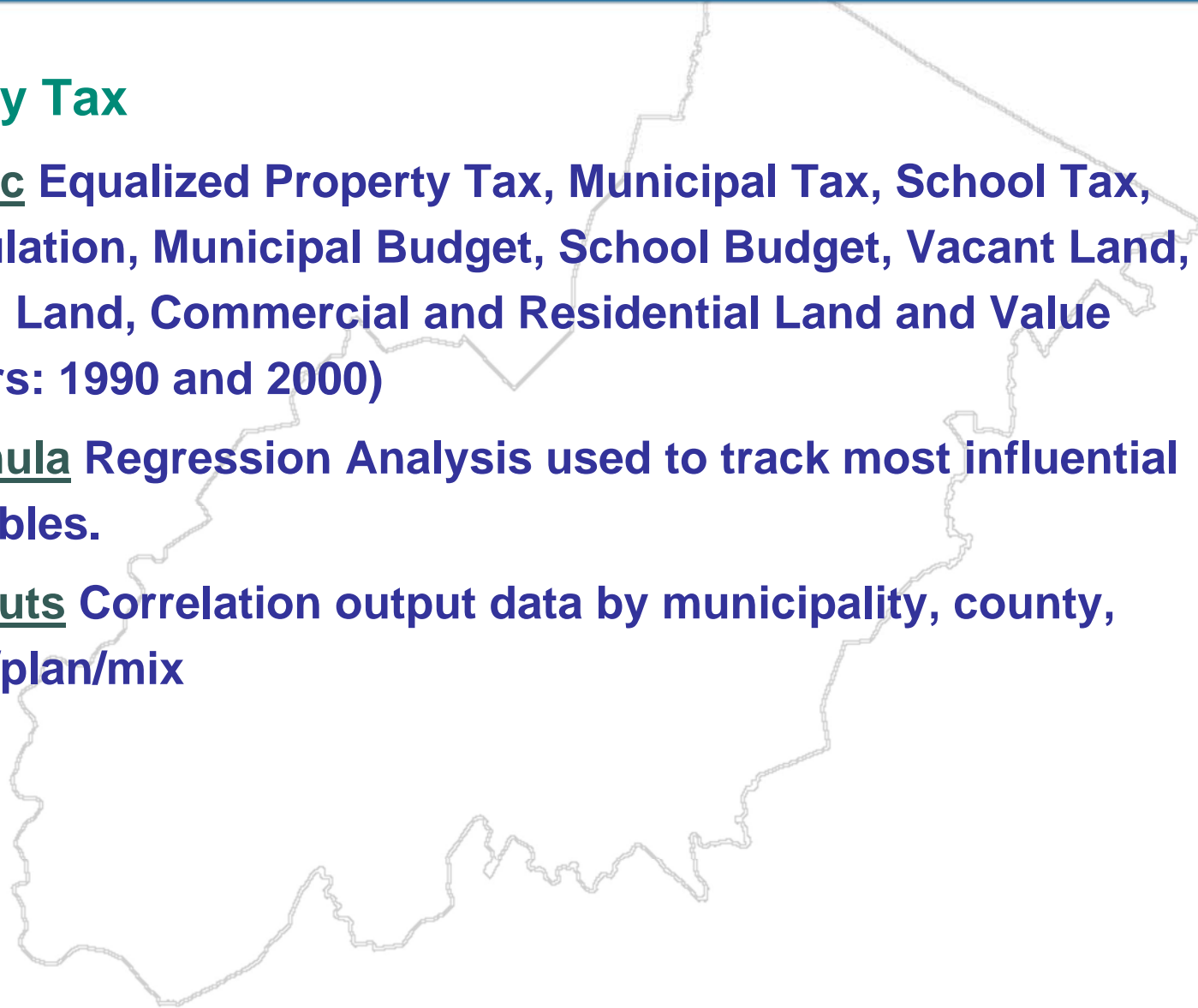
New Development Rates

- **Metric** % change in vacant, residential, farmland, commercial, industrial, and apartments
- **Formula** Chart number of vacant land (parcels) and provide change as a percentage
- **Outputs** Vacant land parcels and % change per region, municipality, county, plan/pre/mix



Cash Flow Timetable

Property Tax

- **Metric Equalized Property Tax, Municipal Tax, School Tax, Population, Municipal Budget, School Budget, Vacant Land, Farm Land, Commercial and Residential Land and Value (Years: 1990 and 2000)**
 - **Formula Regression Analysis used to track most influential variables.**
 - **Outputs Correlation output data by municipality, county, pres/plan/mix**
- 

Fiscal Impact Analysis

Performed by the Center for Urban Policy and Research at the Bloustein School at Rutgers University

What does this measure?

- **“How a public-service jurisdiction (municipality and school district) will fare in the future in terms of the magnitude of revenues raised to pay for the level of costs incurred”**
 - **Costs – operating, statutory, and capital costs**
 - **Revenues – property tax, nontax, and intergovernmental transfers**
 - **Net Fiscal Impact**
 - Provided per municipality, school districts, and counties
 - Police, fire, public works, general government, recreation, culture, school instruction and administration

Fiscal Impact Analysis

Includes an infrastructure assessment

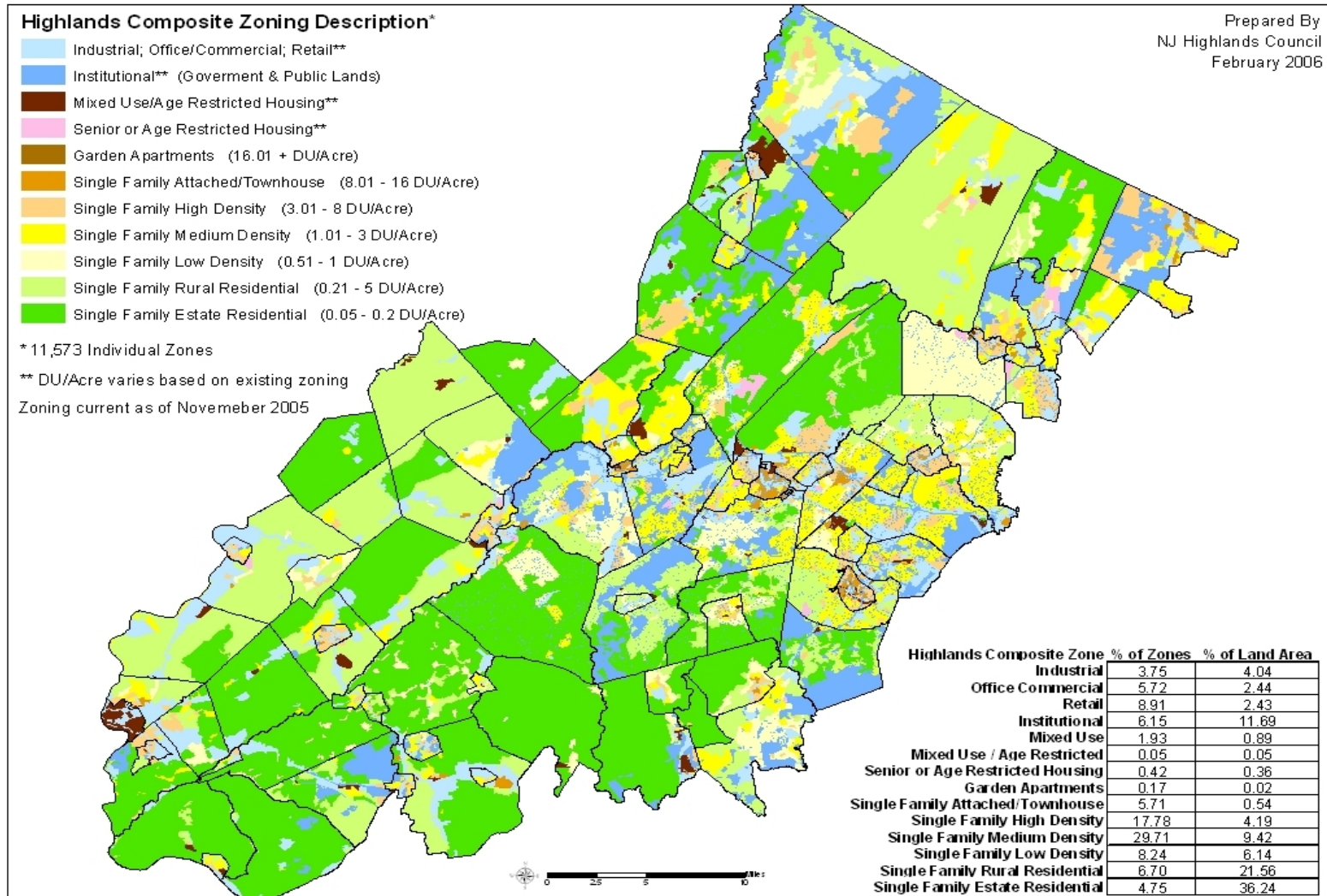
- Roads, Transit, Water and Sewer

Buildout numbers inform FIA models

- Trend
- Plan
- Highlands
- Highlands w/ Growth



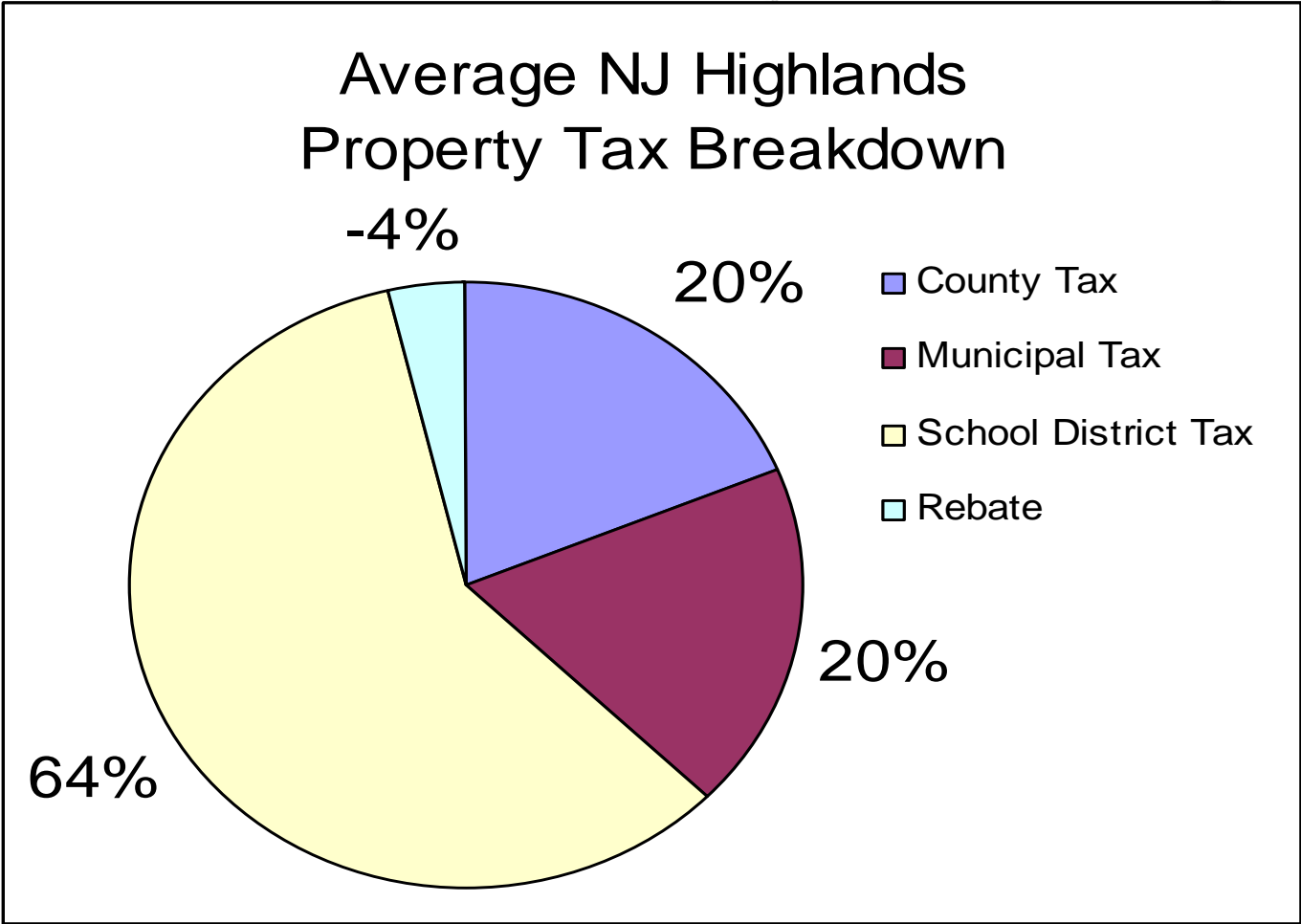
Fiscal Impact Analysis



Property Tax Analysis

- **Property tax trends were examined within the Highlands region from 1990-2000.**
- **Data from a series of variables that were presumed to have some influence over the property tax were collected. These variables were based on demography, economics and land-use.**
- **Four major findings based on the analysis of the data collected:**
 - 1) **property tax burdens rose significantly throughout the region from 1990-2000.**
 - 2) **the amount of residential or commercial value per parcel of land was the most significant predictor of the property tax.**
 - 3) **municipalities with most farm parcels had lowest property tax-rates**
 - 4) **municipalities with smaller municipal budgets per capita showed lower municipal tax-rates and overall property tax-rates**

Property Tax Analysis



Economic Benefits of Open Space Preservation

Report cites fiscal impact studies, market and enhancement values, production values, the revenue generated by open space activities, and various intangible values.

- **Costs of Residential Development**
- **The Ratable Chase**
- **Residential Desirability**
- **Tourism**
- **Pollution**
- **Agriculture**
- **Flood Control**
- **Intangibles**





**Problem Statements
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Problem Statement #1

■ Land Acquisition

- What is the average preservation price in relation to assessed value?
- How do we derive the acquisition rate (5 and 10 years)?
- How do we project potential revenues considering GSPT fund status and fragmented sources of info (per parcel)
- How do we identify the difference between funds available for farmland preservation and the funds needed to achieve preservation goals?

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Problem Statement #2

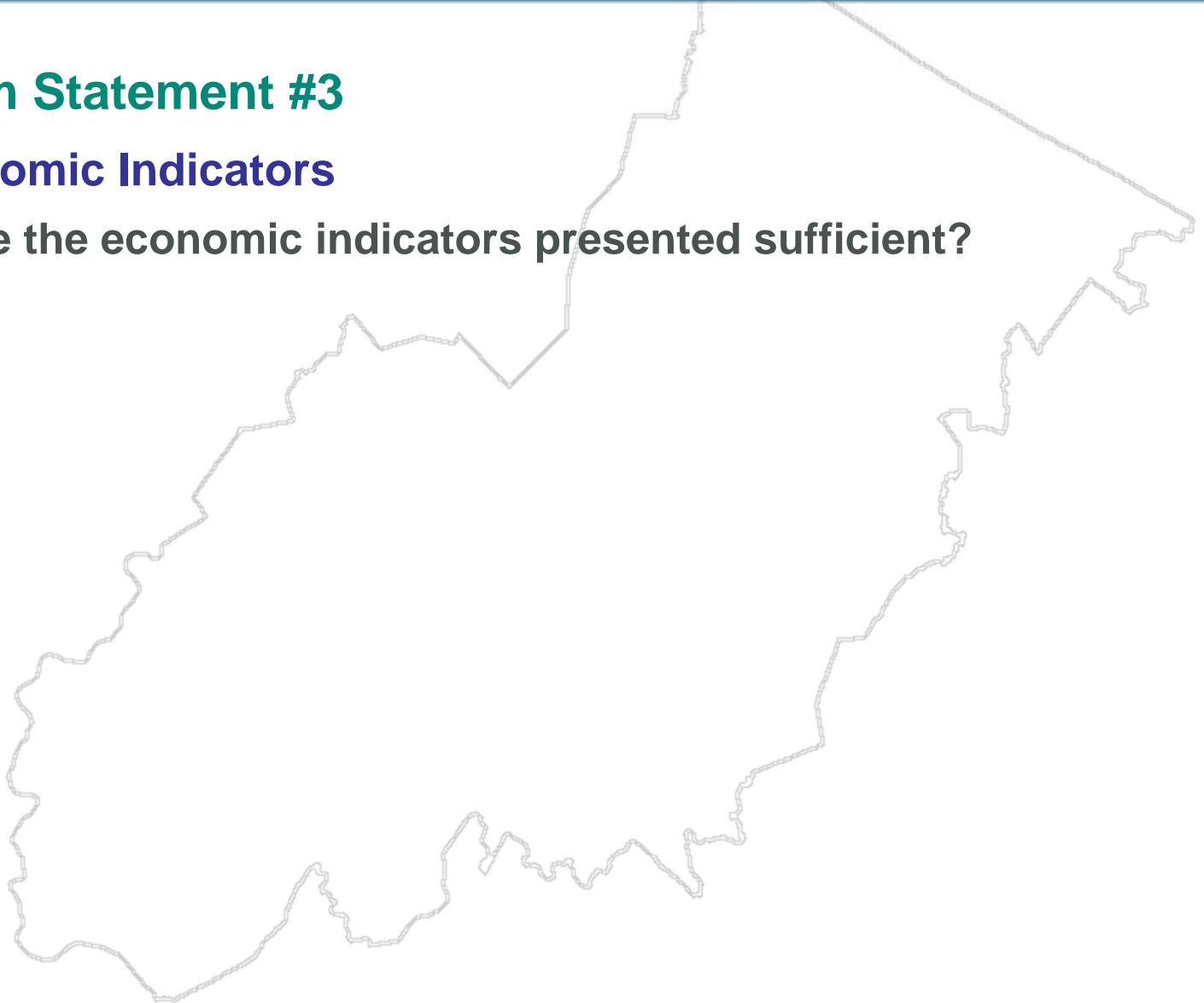
■ Property Tax Stabilization

- Are there better considerations in which to develop potential loss in value?
- What are the variables that make up the added value factor (AVF) - the conditions that allow certain properties to develop or obtain compensation?

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Problem Statement #3

- **Economic Indicators**
 - Are the economic indicators presented sufficient?

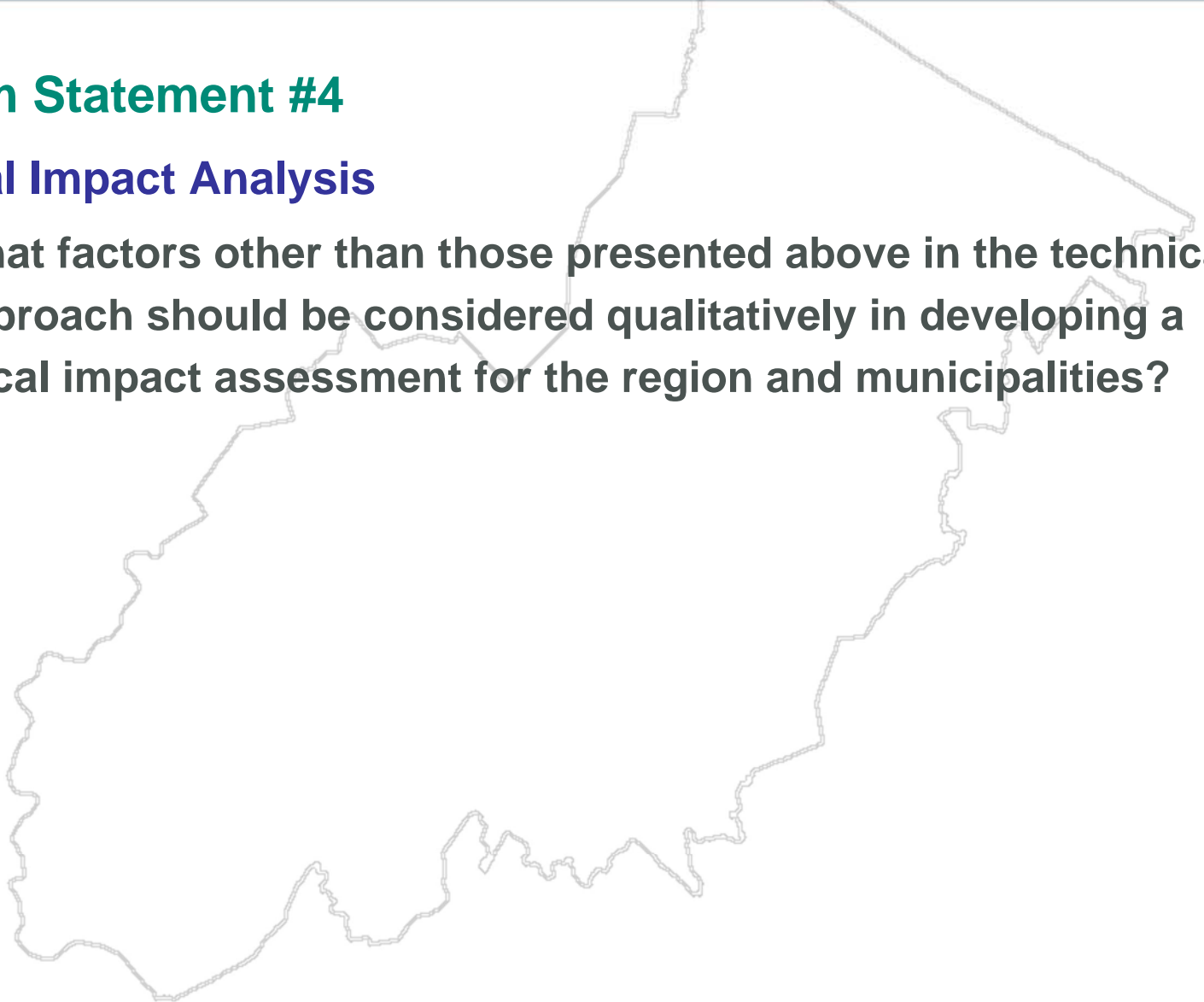


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Problem Statement #4

- **Fiscal Impact Analysis**

- What factors other than those presented above in the technical approach should be considered qualitatively in developing a fiscal impact assessment for the region and municipalities?



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Problem Statement #5

■ State and Federal Grant Programs

- How do we deal with potential grant funds? Cannot be counted as revenue...
- How do we assess 88 municipalities and 7 counties, as each will require independent considerations (different grants for different projects)?

