NEW JERSEY HIGHLANDS COUNCIL
TDR COMMITTEE
CHAIR REPORT FOR THE MEETING OF MAY 15, 2008

On May 15, 2008, the TDR Committee held a meeting at the New Jersey Highlands Council office in Chester, New Jersey. Notice of the meeting was provided to the public on the Highlands Council's web site. Council Members and TDR Committee Members Scott Whitenack, John Weingart, Mimi Letts and Glen Vetrano were in attendance. Council Member Tim Dillingham also attended. Council staff members present were Eileen Swan, Tom Borden and Jeff LeJava. Also present were Anthony Graziano and Matthew Krauser of Integra Realty Resources, Inc. (Integra), and Charles Siemon, Esq., consultants to the Council, John Stokes, Executive Director of the New Jersey Pinelands Commission. The meeting was called to order at 1:15 p.m.

Mr. Whitenack opened the meeting by stating that the Committee's objective was to lay out to the public the methods by which Highlands Development Credits (HDCs) would be awarded to parcels that comprise sending zones in the Highlands TDR Program. After a brief introduction by Ms. Swan, Mr. LeJava explained that the HDC allocation methods were developed in consultation with Integra and that Council staff also received input on the allocation method from Council consultant Charles Siemon.

Mr. LeJava began by showing a mock-up of the Highlands Development Credit Determination Tool, the web-based interface that the Council is developing to relay HDC information to the public. This tool allows landowners to select their property, either by address or block and lot, and receive information about the number of HDCs that may be allocated to their property. The website will also have a link to an HDC Determination Application that must be completed by the landowner and submitted to the Council for a formal written HDC determination.

Mr. LeJava then explained the allocation method and inputs considered in allocating HDCs to residentially zoned property. He stated that there are three primary factors that determine the number of HDCs allocated to a parcel: parcel location; parcel size; and the zoning applicable to the parcel prior to enactment of the Highlands Act. These factors are expressed in the following formula: (Net Yield) x (Zoning Factor) x (Location Factor) = HDC Allocation. Mr. LeJava then discussed each of the formula's components.

He explained that the Net Yield for a given parcel is the number of lots that could have been situated on the parcel on August 9, 2004, accounting for the municipal zoning and land use regulations, and State and federal environmental laws and regulations then in effect. The number of lots that a given parcel could have yielded varies with parcel size, zoning and whether environmental constraints exist on the parcel.

Mr. LeJava discussed the Zoning Factors (ZFs). He stated that the ZFs are a means of adjusting the number of HDCs allocated to a sending zone parcel considering the type of residential development that could have been developed on the parcel prior to enactment of the Highlands Act based upon municipal zoning. In essence, the ZFs are recognition that not all residential uses have the same underlying land value. For example, underlying land value of a detached single family dwelling on a 5-acre minimum lot will have a different value from a single-family dwelling on a ¼-acre lot.

Mr. LeJava explained how the ZFs were developed. He stated that the ZFs are location independent in that the ZFs are calculated based upon municipal, county and then regional average lot values for seven types of residential density. Once the regional average lot values were established, staff established a base value of 1.00 for the Low Density Residential composite zone. Based upon observation, this is the most prevalent residential zoning found in the Highlands Region. Using this composite zone as the base, ZFs were established for the other six residential composite zones.

Mr. LeJava discussed how staff used 2005 MOD-IV tax assessment data for residential properties only (identified as Class 2 under MOD-IV) focusing on the land value portion of the parcel data to determine average lot values. Ms. Letts asked whether MOD-IV parcel data for townhomes or apartments were also considered. Mr. LeJava answered that, because of the way taxes are assessed for multi-family housing, staff did not incorporate data for these types of housing. He stated that the ZF for the High Density Residential composite zone will be used for any residentially zoned property where the density is at 5 units to the acre or greater.

Mr. LeJava explained that the Location Factor (LF) is a means of adjusting the number of HDCs allocated to a sending zone parcel based upon the location of the property in the Highlands Region. Specifically, the LF is recognition that per acre values of residential property varies significantly depending on property location. He stated that, as with development of the ZFs, staff used municipal tax assessment data to development the LFs. Mr. LeJava then discussed the process staff went through to calculate the LFs.

After explaining the basis for and components of the allocation method for residentially-zoned parcels, Mr. LeJava then presented a number of sample allocations to illustrate how the method is applied. As part of that conversation, Mr. LeJava also discussed the staff's proposal for awarding bonus consideration for parcels located in environmentally sensitive or agriculturally important lands.

Mr. LeJava then asked Mr. Graziano of Integra to explain its proposal for allocating HDCs to non-residentially zoned parcels. Mr. Graziano took the TDR Committee through the basis for and components of the non-residential formula for allocating credits. He began by explaining that the amount of non-residentially zoned, undeveloped acreage affected by the Highlands Act is quite small in comparison to that for residentially zoned property. He then explained the proposed formula for allocating HDCs, which is expressed as (Permitted Square Footage) ÷ (Non-Residential SF for Specified Use) x 0.70 = HDC Allocation. Mr. Graziano explained how the type of non-residential use affects underlying land values and that the effect of those uses was considered in developing the allocation method.

Throughout the presentation the public asked questions about the allocation methods, which staff answered before moving on to the next allocation item.

At the conclusion of the presentation, Mr. Whitenack asked what the next steps were. Ms. Swan responded that if Committee Members agreed with staff's recommendations that there would be no need for the TDR Committee to meet again and staff would present these allocation methods to the entire Council as part of the Highlands TDR Program for incorporation into the Regional Master Plan. The Committee Members present agreed that the allocation methods should be incorporated into the Highlands TDR Program for full Council consideration.

Lastly, Mr. Siemon gave a brief overview of the staff's recommendation for an initial HDC value of $16,000. He stated that staff relied on tax assessment data for examining the potential range of values and applied reasonable assumptions in reaching its conclusion. Mr. LeJava stated that, when established, the Highlands Development Credit Bank will determine what amount it will pay per HDC to alleviate financial hardship.

The TDR Committee then adjourned at 3:10 p.m.