State of New Jersey
Pinelands Development Credit Bank

ANNUAL REPORT 1988
Message from the Chairman

When the Pinelands Comprehensive Management Plan took effect in January 1981 it contained an innovative program for channeling development away from the environmentally sensitive core of the Pinelands into designated growth areas. This transfer of development rights concept was never applied before on a regional scale, and the Pinelands Development Credit program, as it is known, initially met only limited success. Since that time, however, 20 development projects have been built or approved with the use of Pinelands Development Credits, and the PDC program has generated a great deal of interest among the landowners and developers it is intended to serve.

In 1985 Assemblywoman Barbara Kalik and Senator Raymond Lesniak sponsored legislation creating the Pinelands Development Credit Bank. As envisioned by the State Legislature, the Bank would play a pivotal role in further facilitating the concept of the Pinelands Development Credit Program.

The Pinelands Development Credit Bank officially opened in September 1988 and has played an important role in ensuring the success of the PDC program. The Bank has begun to purchase credits from Pinelands landowners and will soon be ready to resell these credits to developers. The Bank has ensured the smooth functioning of the PDC program by encouraging landowners to offer their credits for sale, monitoring the transfer of credits through the issuance of Pinelands Development Credit certificates, and bringing together landowners who wish to sell their credits with developers who wish to purchase them.

I and the other members of the Pinelands Development Credit Bank Board are proud to play an important role in the protection of the Pinelands. I hope you will take the time to read this report to find out what the Bank has done to promote this very important component of New Jersey’s Pinelands protection effort.

Mary Little Parell
Commissioner of Banking and
Chairman, Pinelands
Development Credit Bank

Logo design by Ms. Letitia Quairoli, Stockton State College.
Cover photo: Batsto Village, Wharton State Forest
Photo courtesy of Wharton State Forest
The Pinelands Development Credit Program

The Pinelands Development Credit (PDC) program is designed to encourage a shift of development away from forested and agricultural regions of the Pinelands to more appropriate areas. It provides a way for landowners in areas where land use is restricted to benefit economically from increased land values in areas of the Pinelands zoned to allow significant amounts of new residential development. It also provides a way for developers to increase the number of homes they can build in areas designated for new growth. These two goals are achieved when builders buy development rights (PDCs) and transfer development to specified areas.

The PDC program will encourage residential growth near existing development and employment centers. It will discourage growth near fragile ecological areas, wetlands, and important agricultural acreage.

Under the Pinelands Comprehensive Management Plan, all land and water resources within the million acre Pinelands Area fall into one of eight basic categories of land use. These categories each have a special designation; i.e., Preservation Area District, Special Agricultural Production Area, Forest Area, Agricultural Production Area, Rural Development Area, Regional Growth Area, Military and Federal Installation Area, and Pinelands Villages and Towns. The Pinelands Plan sets limits on the type and amount of development that can take place within each of these areas. Within Towns, Villages, and Growth Areas, for example, an almost unlimited range of activities is permitted, including relatively concentrated residential development. By contrast, the type and density of development permitted in the Preservation Area District and the two agricultural areas is much more limited.

Through the PDC program, landowners in the growth-restricted Preservation Area District, Agricultural Production Areas, and Special Agricultural Production Areas are allocated PDCs. These development credits may be used in Pinelands Regional Growth Areas to allow more homes to be built on property than would otherwise be permissible. Each credit permits four additional homes to be built, within an overall range set by the municipality according to Pinelands Plan criteria.

In simple terms, a person who owns property in the Preservation or agricultural areas has two options: The property he or she owns can be developed for residential purposes as limited by the Pinelands Plan, or the Pinelands Development Credits can be sold for use in Regional Growth Areas. If the PDCs are sold, the credit seller’s property can still be used or developed for various activities.

The PDC Bank Board at a Glance

The New Jersey Pinelands Development Credit Bank was created by the Pinelands Development Credit Bank Act signed by Governor Kean on August 28, 1985. The State Legislature established the bank in order to promote
the Pinelands Development Credit (PDC) program initiated by the Pinelands Comprehensive Management Plan. This innovative land management program provides a mechanism to transfer development from environmentally sensitive areas of the Pinelands to areas on the region's fringes which have been zoned to accommodate additional amounts of new development. This transfer of development is accomplished when landowners sell their PDCs to developers; the developers can then use these credits to secure approvals to build more new homes in a Pinelands Regional Growth Area than would ordinarily be allowed. Each credit purchased by a developer can be used to build four additional housing units. More than 400 new homes have already been approved for construction or built with the use of PDCs. The Pinelands Development Credit program also allows landowners in the more restricted areas (Preservation Area and agricultural areas) to benefit from the increased land values that have occurred in Pinelands growth areas since the enactment of the Comprehensive Management Plan.

The Pinelands Development Credit Bank Act established a nine-member Board of Directors to oversee the operation of the Bank and authorized $5 million for its operation. The Bank Board is comprised of the following officials or their representatives: The Commissioner of Banking who serves as chairman, the Secretary of Agriculture, the Attorney General, the chairman of the Pinelands Commission, the Commissioner of Environmental Protection, and four members of the public who are residents of counties located within the State Pinelands Area.

The Pinelands Development Credit Bank is an independent State agency which plays a key role in helping the PDC program run smoothly and efficiently. Among its responsibilities, the Bank

- issues PDC Certificates which then enable PDCs to be bought and sold
- tracks PDC sales to maintain current and accurate records of all transactions
- provides information on people who may wish to buy or sell PDCs
- purchases PDCs in certain cases

1987-1988 Highlights

Bank Board Organized — Shortly after the State Senate’s confirmation of the Board’s four public members, the Bank’s Board of Directors met for the first time on April 30, 1987. The Treasury Department’s Office of Management and Budget conducted an analysis to help determine the Bank’s role, function, and management framework.

Operating Rules Adopted — After hiring an acting director, the Board prepared and adopted rules which permit the Bank to purchase Pinelands Development Credits. These rules also govern the issuance of Pinelands Development Credit Certificates which confirm the authenticity of a credit and which must be obtained before any credit can be bought or sold.

Participation in PDC Program Encouraged — As the result of an aggressive public outreach program, the Bank has received 70 inquiries from property owners and developers about buying and selling PDCs. These initial inquiries occurred over a six-month period, and a much greater level of activity is expected in 1989.

First PDC Purchased — The Bank Board made its first PDC purchase in November 1988 from a landowner in Lacey Township. The Bank has also begun issuing Pinelands Development Credit Certificates to landowners.

Automated Registry to Track PDCs Developed — In order to help municipal officials better manage the program and to assist interested landowners and developers who want to participate in the program, an automated PDC registry is now being put into place.

Organization

The Pinelands Development Credit Bank Board of Directors held its first meeting on April 30, 1987, shortly after the State Senate confirmed the Board’s four public members. The immediate tasks facing the Bank Board were the development of administrative procedures for the operation and funding of the Bank, the hiring of staff to ad-
Hampton Road, near Batsto

Photo by Curt Gellerman

minister the program, and the acquisition of equipment and office space. The Bank Board also held several early discussions on how it could best carry out the objectives established for it by the authorizing legislation. Several Board members suggested that information on similar programs in other states be compiled to help the Board develop its own program.

At the request of Banking Commissioner Mary Little Parell, the Treasury Department's Office of Management and Budget agreed to assemble information on other transfer of development rights programs and help the Board define the Bank's role. It was agreed that the Board would reconvene after this study was completed. This study focused on what should be the role, function, and organizational framework of the Bank. The study found that the Bank was created to promote the Pinelands Development Credit program by providing or encouraging a market for credits and that the Bank should be an active catalyst in developing that market. Board members were eager that the Bank begin purchasing credits from Pinelands landowners as soon as possible.

To get the Bank operational, the Board needed to quickly hire a staff to administer the program, and it was suggested that the Board borrow staff members from other public agencies who were already familiar with the Pinelands Development Credit program. On October 29, 1987 the Bank Board hired John T. Ross, administrator of the Pinelands land acquisition program in the Department of Environmental Protection's Green Acres office, as the Bank's acting executive director. Ross had worked closely with the Pinelands Commission on planning public land purchases and was already familiar with the Pinelands protection program. Office space for the Bank was provided by the Green Acres office, and a full-time assistant was hired to help the Bank's new director. The Board also adopted its own logotype for its stationery and designed a Pinelands Development Credit Certificate which will be used to record PDC transactions. The State Attorney General's office has assigned a deputy attorney general to provide the Bank with legal counsel.

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Rules Adopted

Another important task for the Board was to adopt operating rules for the Bank. During the fall of 1987 the Board drafted a set of regulations which established procedures for buying and selling credits, monitoring credit transactions, recording deed restrictions, etc. During this time the Bank's director consulted with area farmers and the Pinelands Commission on the development of the Bank's operational rules.
The operating rules for the Bank were presented to the public at a hearing on February 11, 1988 in Medford Township. After revising the rules on the basis of public input, they were adopted and took effect on April 4, 1988.

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Educational Efforts

After the Bank’s procedures were adopted, the next series of tasks facing the Board were the completion of the computerized registry, preparing informational materials, and publicizing the services of the Bank.

In May 1988 the Bank sent letters to property owners who had received a “Letter of Interpretation” from the Pinelands Commission stating the number of credits to which each property owner was entitled. This direct mailing quickly spurred property owners’ interest in selling their credits to the Bank. The Bank has also recently begun to contact other Pinelands landowners to determine their interest in selling their credits.

In July 1988 the Bank Board developed a brochure that explains the procedures for buying and selling PDCs. This brochure has been distributed to landowners and developers who have contacted the Bank to obtain information on buying and selling credits.

The Bank Board members agreed that one way to publicize the Bank’s services and promote the transfer of credits would be to hold a formal opening ceremony. It was decided that the Bank would officially open on September 15, 1988 at a ceremony in Batsto Village in the heart of the Pinelands. The Board developed publicity materials and arranged press coverage for the Bank’s opening ceremony where Senator Raymond Lesniak, Assemblywoman Barbara Kalik, and Assemblyman Robert Shinn were honored for their efforts to promote the Pinelands Development Credit program. This opening ceremony attracted widespread press coverage in daily and weekly newspapers.

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PDC Purchases

The Bank has begun to purchase credits from Pinelands landowners so that these credits can be resold to developers. Twenty-five development firms have already expressed an interest in purchasing Pinelands Development Credits through the Bank.

The Bank made its first credit purchase in November 1988 when it bought one-quarter PDC from a landowner in Lacey Township’s Preservation Area. Pinelands Development Credit Certificates have been issued to two additional landowners.

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Registry Developed

Early efforts were made to develop a computerized registry that would record ownership of PDCs and all PDC transactions. This registry will eventually include a list of developers who are interested in purchasing PDCs. The registry will promote the transfer of PDCs by putting developers who wish to purchase credits into contact with landowners who wish to sell them.

The Department of Banking has already developed a software program for the registry. Computer equipment that is needed to maintain the registry has been identified but not yet purchased.
STATE OF NEW JERSEY
PINELANDS DEVELOPMENT CREDIT BANK

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John T. Ross
Acting Executive Director

Stephanie A. Brown
Administrative Assistant

John M. Van Dalen, DAG
Legal Counsel

Pinelands Development Credit Bank
CN 035
Trenton, NJ 08625
(609) 588-3469