State of New Jersey

Pinelands Development Credit Bank

ANNUAL REPORT
Fiscal Year 1991
Once again, I am extremely pleased to report that the Pinelands Development Credit Bank had a successful year.

Even in the face of these challenging economic times, the Pinelands Development Credit program continued to grow. Not only is this important for the landowners and developers who participate in the program, but New Jersey's efforts to conserve the Pinelands have permanently protected important forests and farm lands.

Our main objective last year was to build upon earlier successes in bringing buyers and sellers together so that the Pinelands Development Credit program need not rely on the Bank's direct intervention. Although the Bank remains ready to buy and sell Pinelands Development Credits when necessary, all of the transactions completed last year were done privately. As the economy improves, I look forward to a more active market and even greater success stories.

On behalf of the Bank's Board of Directors, I invite you to read the report and learn more about last year's activities. As the Bank embarks upon its fourth year, we remain enthusiastic about the Pinelands Development Credit program and our commitment to help preserve the country's first National Reserve.

Jeff Connor  
Chairman, Pinelands  
Development Credit Bank and  
Commissioner of Banking
The Pinelands Development Credit Bank is a management mechanism of the Pinelands Development Credit (PDC) program, a component of the Pinelands Comprehensive Management Plan which has governed new development in the Pinelands region since 1981. Understanding the origins and mission of the Bank means first exploring the reason behind the PDC program.

The Pinelands Comprehensive Management Plan established the PDC program to encourage a shift of development away from Pinelands forests and farms to more appropriate areas. It provides a way for property owners in areas where land uses are restricted to benefit from increased land values in areas of the Pinelands zoned to allow more residential development.

It does so by creating a vehicle for developers to increase the number of homes they can build in areas designated for growth if they first purchase Pinelands Development Credits. The PDC program encourages residential growth near existing development and employment centers while discouraging growth in fragile ecological areas and important agricultural acreage.

Under the Pinelands Comprehensive Management Plan, all land and water resources within the 927,000 acre State Pinelands Area fall into one of nine basic areas of land use — Preservation District, Special Agricultural Production, Forest, Agricultural Production, Rural Development, Regional Growth, Military and Federal Installation, and Pinelands Villages and Pinelands 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, the Plan permits substantial amounts of new development, including relatively concentrated residential construction. By contrast, the Plan substantially limits the type of density of development allowed in the Preservation Area District and the two agricultural areas.

The PDC program allocates Pinelands Development Credits to landowners in the growth-restricted Preservation District, Agricultural Production, and Special Agricultural Production Areas. Developers may purchase and then use PDCs in Pinelands Regional Growth Areas to build more homes than zoning ordinances would otherwise permit. Each full credit yields four development rights each of which allows one additional home to be built. The maximum number of homes which can be built on any given piece of property is set by municipalities through their zoning ordinances.

A person who owns property in the Preservation District or either agricultural area has two basic options: the owner can develop the property for residential purposes by following the limitations of the Pinelands Plan; or the owner can sell the PDCs for use in Regional Growth Areas. If the landowners elect to sell the PDCs, a use restriction, or easement, is placed on the deed to the land. A landowner in an agricultural area, for example, can sell the PDCs and still continue to use the land for things like farming, commercial forestry and low intensity recreation.

The Pinelands Development Credit Bank is an independent State agency that the Legislature created in 1985. State leaders created the Bank to help record and track the sale and use of PDCs, encourage private market transactions, and purchase credits in certain cases from Pinelands landowners and reselling them to developers.

The Bank is governed by a nine-member Board of Directors comprised of the Commissioner of Banking as Chairman, the Secretary of Agriculture, the Chairman of the Pinelands Commission, the Attorney General, the Commissioner of Environmental Protection and Energy, and four public members from the counties located within the Pinelands. The Bank is staffed by a part-time acting executive director and a full-time administrative assistant. The State Attorney General provides legal counsel.

The Bank issues PDC certificates which allow the sale and use of PDCs to be tracked by the Bank, the Pinelands Commission, local planning boards, developers, and landowners. It maintains and provides current data on landowners who wish to sell PDCs and developers who want to purchase them and also helps to bring together potential buyers and sellers so that private sales can be negotiated.
Finally, the Bank is authorized to purchase PDCs in limited circumstances at a price no less than $10,000 apiece and to resell them at a later date to developers. The Bank's purchase price effectively sets a minimum value for private transactions. This can often be exceeded, however, as evidenced by the Bank's first sale of PDCs in 1990, when the high bid equaled $22,600.

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**FY 1991 HIGHLIGHTS**

- **Landowner Participation Increased Dramatically**
  In the past year, 198 development rights (49.5 PDCs) were severed from properties located in sending areas. This represents the highest level of property owner activity in any single year.

- **More Forests and Farmland Protected**
  More than 1,700 acres of land were permanently protected as a result of the PDCs severances. In total, the PDC program has resulted in the permanent protection of 5,875 acres of lands through June 30, 1991.

- **Developers Continued To Purchase PDCs**
  For the first time, all PDC purchases were private market transactions where prices were freely negotiated between buyers and sellers.

- **Number of Projects Proposing PDC Use Continued To Grow**
  The number of projects proposing to use PDCs increased from 103 to 132. The number of development rights proposed for use in those projects increased from 1,569 to 1,897.

- **PDC Bank Authorization To Purchase PDCs Extended**
  The Pinelands Development Credit Bank act was amended to extend the Bank's authority to purchase PDCs from December 31, 1990 to December 31, 1992. The law also enables the Bank to extend loan guarantees where PDCs are used as collateral.
landowner participation

During the past two and a half years, the Bank has targeted its public outreach efforts to property owners in the Preservation Area District, Special Agricultural Production Areas and Agricultural Production Areas.

Because of these efforts, 240 more property owners received a formal allocation of rights, the first step in severing and then selling PDCs. In total, almost 400 property owners have received allocations.

In the past year alone, 198 development rights were severed by property owners. This represents almost a third of all development rights severed since 1982.

permanent land protection

One of the most innovative aspects of the PDCs program is its conservation orientation. Not only do PDCs encourage development in designated growth areas in the Pinelands but, when they are severed, the sending property is protected by a permanent conservation or agricultural easement.

In Fiscal Year 1991, 1,722 acres were added to our inventory of permanently protected forested and farm land, which totals more than 5,800 acres. Much of the forested land is located adjacent to state parks, forests, and wildlife management areas and 2,300 acres are located within actively farmed areas of the Pinelands.

pdc purchases

Even though the home building industry has been hit hard by a sluggish economy, it is encouraging that developers are still purchasing PDCs, albeit at a lower rate than in 1988 and 1989.

A more positive sign is that the purchases, which accounted for 42 rights, were not bought from a governmental agency but were negotiated exclusively between private parties. As expected, private negotiations continued to result in variable sales prices; however, no sale in FY 1991 exceeded the highest price of $5,650 per right, recorded in June 1990.

Also encouraging is the fact that 72 rights were under option for purchase by developers at the close of FY 1991. This includes 51 rights under option from the Bank and 21 under option from private parties.

projects proposing pdc use

Although the Bank has not had the opportunity to concentrate its outreach efforts on the development community, projects proposing PDC use continue to grow.

In total, 103 projects have used or propose to use 1,897 rights, This compares to 32 projects involving 686 rights a little more than three years ago.

In raw numbers, the FY 1991 increase of 29 PDC projects represented the second largest yearly increase since the PDC program began. In terms of rights involved in those projects, the increase of 328 also represented the second highest yearly increase.

During the year, the Bank also received 24 additional inquiries from developers who are interested in purchasing PDCs.

pdc bank legislation

On February 19, 1991, Governor Florio signed into law a bill that allows the Bank to continue to purchase Pinelands Development Credits beyond December 31, 1990. As originally envisioned when the Bank was created in 1985, the NJPDC Bank would be authorized to purchase PDCs in very limited circumstances for a five year period. However, the operating procedures governing Bank purchases were not in place until 1987. The extended purchase period, running until December 31, 1992, was sought by Senator Raymond Lesniak and Assemblyman Robert Shinn, Jr. to effectively authorize Bank purchases for that five year period.
Since the Bank only purchases PDCs to further the objectives of the Pinelands Protection Act or when a hardship exists, this authorization in no way implies that government purchases of PDCs are preferred over private transactions. In fact, the Bank has purchased only 227 rights (56.75 PDCs) from private property owners since its inception and none were bought in Fiscal Year 1991. Nevertheless, the Bank remains ready to purchase if, for example, property owners must sell PDCs very quickly because they are experiencing a hardship.

The Bank is also authorized to extend guarantees of loans which utilize PDCs as collateral but has yet to be requested to do so.

The Bank carried a balance of $4.3 million into Fiscal Year 1991. This money came from the original appropriation of $5 million by the 1985 Pinelands Development Credit Bank Act. Disbursements totaled $114,761 for salaries advertising, office supplies, professional services, and other operational costs. Cash received by participants of the PDC auction in 1990 totaled $13,119. Funds transferred back to the General Treasury totaled $1 million, leaving a reserve at the close of the fiscal year of $3.2 million.

THE COMING YEAR

In Fiscal Year 1992, the Bank intends to continue its efforts to bring buyers and sellers together within the private market place. However, because of general economic conditions, the Board will remain ready to purchase PDCs itself as the need arises.

Efforts to expand program participation will continue with an increasing focus on property owners and developers in the growth areas. A research project involving a detailed examination of properties, ownership and zoning standards is scheduled to begin early in the year as a first step in expanding the Bank's outreach and education efforts to include those who have an opportunity to use PDCs in development projects.

The Bank will, of course, also seek to broaden its contacts with property owners in the Preservation District and two agricultural areas who are entitled to receive an allocation of PDCs. Steps are already being taken by property owners to sever PDCs from a 1,200 acre farm, a 600 acre inholding within Bass River State Forest, and a 400 acre camp owned by a non-profit organization.
PINELANDS DEVELOPMENT CREDIT BANK
BALANCE SHEET
JUNE 30, 1991

ASSETS

Revolving Fund Account $3,286,986
Pinelands Development Credits
(44 PDCs @ $10,000 each credit or $440,000 plus
13 PDCs under contract to sell for $274,895) 714,895
EDP Equipment 3,005
TOTAL ASSETS $4,004,886

LIABILITIES AND RETAINED INCOME

General Appropriation(1) $4,000,000
Retained Income 4,886
TOTAL LIABILITIES AND RETAINED INCOME $4,004,886

(1) Net of $1.0 million reduction in initial appropriation on July 1, 1990 but before a $0.5 million reduction after July 1, 1991.

PINELANDS DEVELOPMENT CREDIT BANK
STATEMENT OF REVENUES AND EXPENDITURES
FOR THE PERIOD JANUARY 1, 1990 TO JUNE 30, 1991

REVENUE:

Carrying Charges on PDC's $15,560
Deferral Payment Received — Non-Refundable 13,119
TOTAL REVENUE $28,679

EXPENDITURES:

Printing & Office $747
Official Reception 62
Travel 578
Postage 694
Public Relation Services 12,570
Salaries 62,378
Advertising 482
Maintenance 39
TOTAL EXPENDITURES $77,570

Net (LOSS) ($48,891)
PINELANDS DEVELOPMENT CREDIT PROGRAM
Rights Purchased by Developers

- The 1991 totals represent one half of a year.

PINELANDS DEVELOPMENT CREDIT PROGRAM
Projects using PDCS*

- Only built or approved projects and projects pending local approval are included.
STATE OF NEW JERSEY
PINELANDS DEVELOPMENT CREDIT BANK

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