State of New Jersey

Pinelands Development Credit Bank

ANNUAL REPORT Fiscal Year 1992
As chairman of the Pinelands Development Credit Bank as well as Commissioner of Banking of the State of New Jersey, I am pleased to report to you on the Bank's activities during 1992.

1992 was a difficult year for New Jersey and the Nation, although we have begun to see signs of renewed economic prosperity. Despite such difficulties, the Bank responded with the highest level of property owner participation since the inception of Pinelands Development Credits in 1981. The continued success of the Bank is testimony to the broad public support for environmental conservation of the pristine forest and farmland area we call the Pinelands.

Nearly 8,400 acres of the Pinelands have been permanently protected, thanks not only to the efforts of the Bank, but to the active involvement of builders and landowners who have demonstrated their concern by helping to protect New Jersey's most environmentally sensitive area.

We achieved our goal last year by bringing buyers and sellers together to purchase Pinelands Developments Credits within the private marketplace. Our economic recovery is certain to ensure the continued success of the Bank and our overall commitment to preserve New Jersey's Pinelands.

I extend my invitation, on behalf of Governor Jim Florio and the Board of Directors of the Bank, to all of the state's citizens to read our report and share our pride in New Jersey, the Garden State, and the innovative transfer of development rights program we call the Pinelands Development Credit Bank.

Jeff Connor
Chairman, Pinelands Development Credit Bank and Commissioner of Banking
ORIGINS & MISSION

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 1992 HIGHLIGHTS**

- **Landowner Participation Reached New High**
  In the past year, 296 development rights were severed (74 PDCs) from properties located in sending areas. This number signifies the highest level of property owner activity in any single year since the PDC inception in 1981.

- **Additional Land Permanently Protected**
  More than 2,500 acres have been permanently protected in FY 1992 resulting in a total of 8,412 acres through June 30, 1992. Forty-five percent of this land is located within actively farmed areas of the Pinelands. The large number of PDCs severed attributes to the increase in acreage protected.

- **Developers Continued To Participate in PDC Program**
  The majority of development rights sales were negotiated exclusively between private parties.

- **Funding Acquired from William Penn Foundation**
  In December 1991 the Bank received funding from the William Penn Foundation for an educational project designed to increase the number of PDCs used in residential projects, which, in turn, will increase the amount of land permanently protected.

- **Increase in Projects Proposing to Use PDCs**
  The number of projects proposing to use PDCs increased from 132 to 162. The number of development rights proposed for use in those projects increased from 1,854 to 1,886.
landowner participation

The Bank has continued to encourage the use of PDCs by educating property owners about the benefits of the program. As the public becomes more knowledgeable of this program they continue to take the first step in severing and then selling PDCs. This entails receiving a formal allocation of rights which more than 200 property owners have accomplished this year. In total, 455 property owners have received allocations. Property owners' participation continues to grow as the number of rights severed this past year indicates. In FY 1992, 296 development rights were severed by property owners. In total, 955 development rights have been severed.

permanent land protection

More than 8,400 acres of forests and farm land have been permanently protected through the PDC program. In FY 1992 alone, 2,536 acres were added to our inventory of permanently protected land, representing the highest amount of acreage protected in a year. These areas are protected by a permanent conservation or agricultural easement when the PDCs are severed.

pdc purchases

Developers continue to purchase PDCs despite the unstable economy. Not only are they purchasing these rights, but they are doing so in numbers that exceed 1988 and 1989 when they purchased 86 and 83 rights respectively. In FY 1992, 127 development rights were negotiated and sold in the private market. The average selling price ranged between the $3,500 — $4,500 per right, with the highest selling price recorded at $4,750 per right. The bank purchased seven rights.

grant provided by William Penn Foundation

The PDC Bank received the services of a consultant in April 1992 through a grant provided by the William Penn Foundation. The consultant, Richard Osborn, began the first phase of the project which included inventorying of development companies, property, and owners in Regional Growth areas, and making initial contact with the developers and builders to explain the program. Additional phases will include contacting property owners in Regional Growth areas, real estate agents, appraisers, engineers, and environmental consultants to further explain the PDC program.

projects proposing pdc use

Due to the addition of a consultant, the Bank was able to concentrate its outreach efforts on developers and builders. This provided the Bank the opportunity to continue to increase the number of projects proposing to use PDCs.

In total, 162 projects propose to use 1,886 rights. The increase of 30 PDC projects in FY 1992 represents the second largest yearly increase since the program began. Thirty-two rights are involved in those projects.

operations

After a return of $1.5 million to the general treasury in FY 1990 and 1991, the Bank carried a balance of $3.2 million into FY 1992. This money came from the original appropriation of 5 million by the 1985 Pinelands Development Credit Bank Act. Revenue from PDC carrying charges and a private foundation grant totaled $54,464. Disbursements for salaries, advertising, office supplies, professional services, and other operational costs totaled $83,637, and after adding adjustments for excess recorded revenue of $141,835, this leaves a cash reserve at the end of the fiscal year of $2.7 million.
In Fiscal Year 1993, the Bank looks forward to continuing its efforts of bringing together buyers and sellers within the private marketplace.

The environmental project, which began in April 1992, will play an important role in accomplishing this objective. Emphasis will be put on contacting property owners in the Regional Growth Areas to explain the PDC program and its benefits to them, and making contact with real estate agents, appraisers, engineers, and environmental consultants to further explain the PDC program and how it may effect their clients. Also included will be the preparation of detailed planning information for specific properties and to assist individual prospects.
PINELANDS DEVELOPMENT CREDIT BANK
BALANCE SHEET
JUNE 30, 1992

ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Revolving Fund Account</td>
<td>$2,700,487</td>
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<tr>
<td>Pinelands Development Credits*</td>
<td>627,500</td>
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<tr>
<td>EDP Equipment</td>
<td>1,005</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$3,328,992</strong></td>
</tr>
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LIABILITIES AND RETAINED INCOME

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tr>
<td>General Appropriation**</td>
<td>$3,500,000</td>
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<tr>
<td>Retained Income</td>
<td>(171,008)</td>
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<tr>
<td><strong>TOTAL LIABILITIES AND RETAINED INCOME</strong></td>
<td><strong>$3,328,992</strong></td>
</tr>
</tbody>
</table>

Legend

* 62.75 PDCs @ $10,000 each PDC.
** Net of $1,000,000 reduction in initial appropriation on July 1, 1990 and $500,000 in additional reduction after July 1, 1991

PINELANDS DEVELOPMENT CREDIT BANK
STATEMENT OF REVENUES AND EXPENDITURES
FOR THE PERIOD JULY 1, 1991 TO JUNE 30, 1992

REVENUE:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Carrying Charges on PDC's</td>
<td>$4,464</td>
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<tr>
<td>Donation — Private Foundation</td>
<td>50,000</td>
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<tr>
<td><strong>TOTAL REVENUE</strong></td>
<td><strong>$54,464</strong></td>
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EXPENDITURES:

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<tr>
<th>Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Printing &amp; Office</td>
<td>$1,063</td>
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<tr>
<td>Official Reception</td>
<td>478</td>
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<tr>
<td>Travel</td>
<td>568</td>
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<tr>
<td>Postage</td>
<td>420</td>
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<td>Public Relation Services</td>
<td>2,399</td>
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<tr>
<td>Salaries</td>
<td>65,002</td>
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<tr>
<td>Maintenance &amp; Equipment</td>
<td>2,089</td>
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<tr>
<td>Professional Services</td>
<td>11,618</td>
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<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td><strong>$83,637</strong></td>
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Excess of Expenditures over Revenues

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<tr>
<th>Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Excess of recorded revenue over cost of 11.75 defaulted PDCs.</td>
<td>$29,173</td>
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<tr>
<td>Accounts Receivable</td>
<td>$259,335</td>
</tr>
<tr>
<td>Banks Costs</td>
<td>117,500</td>
</tr>
<tr>
<td><strong>Net Loss</strong></td>
<td><strong>$171,008</strong></td>
</tr>
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</table>
PINELANDS DEVELOPMENT CREDIT PROGRAM
Rights* Purchased by Developers

*Four rights equal one Pinelands Development Credit.
**Totals for 1992 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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