

FEB 19 1991



State of New Jersey

# Pinelands Development Credit Bank

1989-90  
REPORT





## Message from the Chairman

I am happy to report that the last eighteen months were successful ones for the Pinelands Development Credit Bank (the Bank) and it was able to further its mission to help preserve the fragile environment of the Pinelands while giving developers the opportunity to provide needed housing in the region.

The Bank, which the Legislature created in 1985, is an integral part of the Pinelands Comprehensive Management Plan, a system that has presided over the preservation of New Jersey's Pinelands since 1981. This innovative land management program has provided a mechanism, called the Pinelands Development Credit (PDC) program, to transfer development from environmentally sensitive areas of the Pinelands to areas on the region's fringes which have been zoned for additional development. The Bank's function is to oversee this mechanism, which allows Pinelands landowners to sell development credits, or the development potential of their environmentally sensitive land, to developers who can then use the credits to secure approvals to build more homes in Pinelands growth areas than would normally be permitted.

During the eighteen months the number of landowners and developers participating in the PDC program substantially increased. This resulted in the permanent preservation of approximately 3,000 acres of Pinelands forests and agricultural properties, while transferring opportunities to eventually construct an additional 360 new homes in Pinelands Regional Growth Areas .

The Bank played a key role in the success of the program by advising landowners about the financial benefits of selling their credits, demonstrating profit opportunities to developers, and by bringing together sellers and buyers. The Bank's highly successful first auction of credits in May of 1990 resulted in developers bidding more than twice the amount offered for credits in previous years. In fact, the demand for the credits at the auction exceeded the supply. New Jersey can be proud of the accomplishments of the Bank during the past eighteen months.

I invite you to take a moment to review this report. It reflects the Bank's activities from January 1989 through June 1990. The next report will be on a fiscal year June 30 basis, rather than by calendar year. On behalf of the Bank's Board, I take great pleasure in presenting this report and renewing our commitment to and enthusiasm for helping to preserve one of New Jersey's most precious resources.



A handwritten signature in black ink, appearing to read "Jeff Connor". The signature is fluid and cursive, written over a white background.

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

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## HIGHLIGHTS

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- **Preserved 3,000 Acres:**

During the past 18 months the sale of 360 development rights permanently preserved approximately 3,000 acres of Pinelands forests, farms and wetlands. Since the PDC program began, more than 4,630 acres have been preserved through development credit sales.

- **Auctioned Credits:**

The Bank's first public auction of credits on May 25, 1990 resulted in the sale of 52 rights at \$5,650 each or \$22,600 per development credit. (One full development credit is comprised of four quarter credits, or the right to build four more homes.)

- **Promoted Participation:**

The Bank informed about 650 Pinelands landowners and developers, attorneys, realtors, and others that the Pinelands Development Credit program protects this special resource, assuring a natural legacy for future generations, while providing reasonable financial and business opportunities to landowners and developers

- **Encouraged Private Sales:**

In addition to the 52 rights resold by the Bank at its May 1990 auction, the Bank helped arrange the private market sale of another 52 rights.

*Please see details of Highlights beginning on page 4.*



Pinelands Preservation Area

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## ORIGINS & MISSION

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The Pinelands Development Credit Bank is a management mechanism of the Pinelands Development Credit 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 State Legislature enacted the PDC program to encourage a shift of development away from Pinelands forests and farms to more appropriate areas. It provides a way for landowners in areas where law restricts land use to benefit from increased land values in areas of the Pinelands zoned to allow significant amounts of new residential development. The program also creates a vehicle for developers to increase the number of homes they can build in areas designated for new growth.

The system brings these two converging forces together by allowing builders to purchase development credits (PDCs) and transfer development to specified and permissible growth areas. 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 937,000 acre State Pinelands Area fall into one of eight 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 Towns.

The Pinelands Plan sets limits on the type and amount of development that can take place within each of these categories. 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 and density of development allowed in the Preservation Area District and the two agricultural areas.

The PDC program allocates credits to landowners in the growth-restricted Preservation District, Agricultural Production, and Special Agricultural Production Areas. Builders may use PDCs in Pinelands Regional Growth Areas to build more homes than zoning ordinances would otherwise permit. Each full credit allows developers to build four additional homes, within an overall range set by the municipality according to Pinelands Plan criteria.

The person who owns property in the Preservation and Agricultural areas has two basic options: the owner can develop the property



Farmland preserved through the PDC Program

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 landowner elects to sell the PDCs, the system places a use restriction 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.

Between 1984 and 1987 developers purchased a total of 100 transferable rights (meaning 25 PDCs) which allowed for the construction of 100 additional new homes in Pinelands growth areas. Since the Bank's first year of operation in 1988, developers purchased an additional 247 transferable rights, or 61.75 PDCs, for use in these growth areas. A total of 103 residential development projects have now either used or are expected to use PDCs. These projects alone will involve 1,569 rights, an increase of 824 rights in one year.

The Bank is an independent State agency that the Legislature created in 1985. State leaders created the Bank to ensure the success of the PDC program by guaranteeing a minimum private market price of \$10,000 for each PDC, encouraging private market transactions, recording and tracking the sale and use of PDCs, and purchasing credits 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 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 also maintains and provides current data on landowners who wish to sell PDCs and developers who want to purchase them. In addition, the auction in May illustrates the Bank's charge to purchase PDCs from landowners and resell them to developers. Finally, the Bank must encourage participation in the PDC program by bringing together eligible landowners and developers for potential PDC transactions.

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## DETAILS OF HIGHLIGHTS

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### the pdc auction

The Bank's successful resale of 52 rights in May 1990 was the culmination of a year's effort by the Bank and its staff. In August 1989 the Bank staff began drafting a set of regulations that would govern the sale of credits purchased by the Bank from Pinelands landowners and the Burlington County Pinelands Development Credit Exchange. By October 1989 the drafting team completed these regulations, and the Bank held a public hearing on them in Medford Township on December 14, 1989. The Bank's Board of Directors adopted the regulations on January 12, 1990.



Home built with use of PDCs.

The regulations benefited Pinelands landowners by authorizing the Bank to sell credits only at the highest bid price. The regulations also guaranteed developers a fair and easy way to purchase credits through a sealed bid

process and allowed developers to defer their PDC purchases for 18 months while they obtained local planning board approvals.

Prior to the bid opening, developers submitted nine sealed bids for the purchase of 194 rights (48.5 PDCs). After the Bank opened the bids, it offered 140 rights (35 PDCs) for sale at the high bid price of \$5,650 per right (\$22,600 per PDC). Fifty-two rights were subsequently sold at this price. The proceeds of the 52 rights (13 PDCs) sold by the Bank and purchase deferral costs totaled \$340,480.

## **public outreach**

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During this reporting period the Bank also sent letters to approximately 600 Pineland landowners advising them of the financial benefits they could obtain from the PDC program. The Bank received more than 200 inquiries from landowners in response to these letters, and a considerable number of those landowners applied to the Pinelands Commission for a letter of interpretation on the number of credits to which they were entitled. This past year the Bank received about 400 inquiries about the PDC program from landowners, developers, realtors, attorneys and others.

The Bank actively promoted its May 1990 PDC auction through press releases to weekly and daily newspapers, developers, realtors, farmers and local Pinelands officials. Media in Philadelphia and southern New Jersey picked up the auction story, resulting in additional requests for information about the program.

## **operations**

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The Bank carried an appropriation of \$4.7 million into fiscal year 1990. This money came from the original appropriation of \$5 million dollars by the 1985 Pinelands Development Credit Bank Act. During the fiscal year the Bank purchased 36.5 PDCs at \$10,000 each for a total of \$365,000. Other disbursements totaled \$64,547 for salaries, advertising, office supplies, professional services, and other operational costs. Cash refunds from the PDC auction totalled \$29,380. The Bank disbursed a total of \$400,166 leaving a reserve at the close of the fiscal year of \$4.3 million.

## **the coming year**

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Since the Bank began operating in September 1988, the Board and its staff have channeled their energies toward advising landowners of the benefits of the program. As a result, some of the landowners who had participated were successful in selling their credits. During the coming year, the Bank will continue its efforts with a focus on the demand side, working with developers to encourage their use of PDCs.

On the legislative front, Senator Raymond J. Lesniak and Assemblyman Robert C. Shinn, Jr. introduced legislation that will extend the period during which the Bank could purchase PDCs from its current deadline of December 31, 1990 to December 31, 1992. The Board of the Bank recently endorsed this initiative, which will allow the Bank to serve as a buyer of last resort, an essential element in maintaining confidence in the PDC program as the private market continues to expand.

**PINELANDS DEVELOPMENT CREDIT BANK  
BALANCE SHEET  
JUNE 30, 1990**

**ASSETS**

|   |               |                           |
|---|---------------|---------------------------|
| Revolving Fund Account  |               | \$4,352,424               |
| Pinelands Development Credits<br>(44 PDCs @ \$10,000 each credit) |               | 440,000                   |
| Accounts Receivable   |               |                           |
| Sale of 13 PDCs   | \$259,335     |                           |
| Carrying Cost Receivable  | <u>15,560</u> | 274,895                   |
| Refundable Funds Received   |               | <u>65,585</u>             |
| <b>Total Assets</b>   |               | <b><u>\$5,132,904</u></b> |

**LIABILITIES AND RETAINED INCOME**

|   |  |                           |
|---|--|---------------------------|
| Initial Appropriation <sup>(1)</sup>                      |  | \$5,000,000               |
| Refunds due from Sale of<br>Pinelands Development Credits |  | 29,380                    |
| Unearned Carrying Cost                                    |  | 15,560                    |
| Salaries Payable  |  | 34,187                    |
| Retained Income   |  | <u>53,777</u>             |
| <b>Total Liabilities and Retained Income</b>              |  | <b><u>\$5,132,904</u></b> |

<sup>(1)</sup> Initial Appropriation reduced by \$1.0 million on July 1, 1990

**PINELANDS DEVELOPMENT CREDIT BANK  
STATEMENT OF REVENUES AND EXPENDITURES  
FOR THE PERIOD JANUARY 1, 1989 TO JUNE 30, 1990**

**REVENUES:**

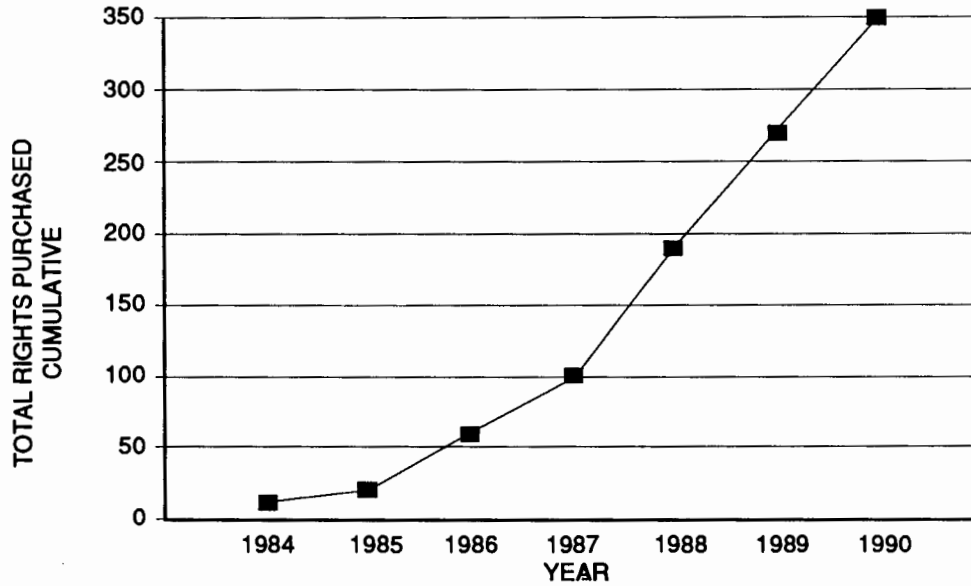
|   |  |                         |
|---|--|-------------------------|
| 13 Pinelands Development Credits Sold<br>@ \$22,600 each credit |  | \$293,800               |
| Carrying Charges on PDCs<br>sold on deferral                    |  | <u>31,120</u>           |
| <b>Total Revenue</b>  |  | <b><u>\$324,920</u></b> |

**EXPENDITURES:**

|  |           |                         |
|--|-----------|-------------------------|
| 57 PDCs Bought @<br>\$10,000 Each Credit | \$570,000 |                         |
| 44 PDCs in Inventory                     | 440,000   |                         |
| Cost of 13 PDCs Sold                     |           | \$130,000               |
| Travel                                   |           | 136                     |
| Operating Expenses                       |           | 106,820                 |
| Salaries                                 |           | <u>34,187</u>           |
| <b>Total Expenditures</b>                |           | <b><u>\$271,143</u></b> |
| <b>Net Revenue</b>                       |           | <b><u>\$ 53,777</u></b> |

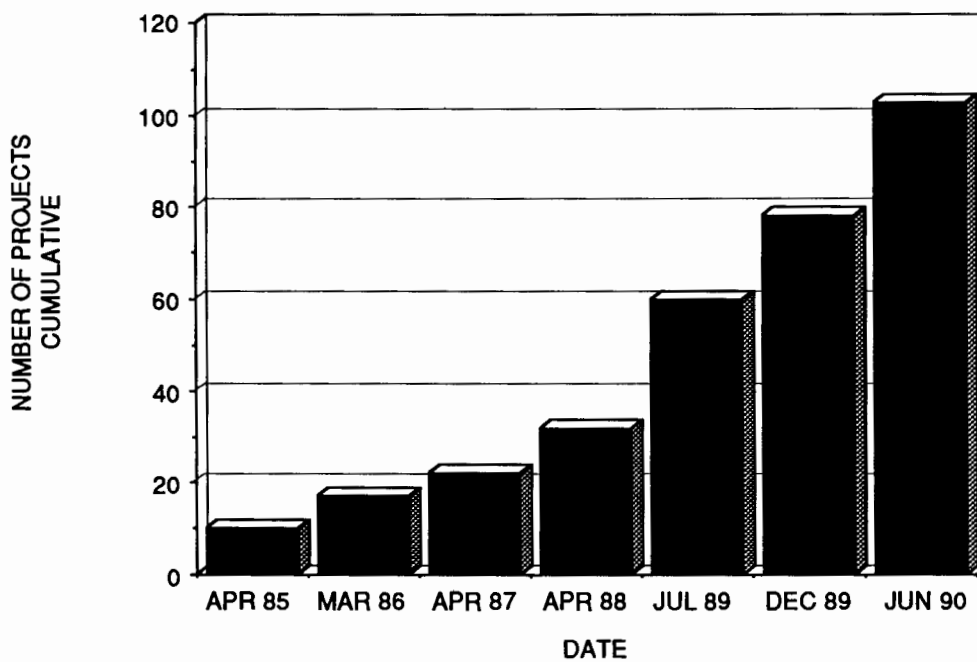
## PINELANDS DEVELOPMENT CREDIT PROGRAM

Purchases By Developers Through 6/30/90



## PINELANDS DEVELOPMENT CREDIT PROGRAM

Projects Using PDC's





**STATE OF NEW JERSEY  
PINELANDS DEVELOPMENT CREDIT BANK**

**Board of Directors**

**Chairman**

**Jeff Connor**

*Commissioner of Banking*

**Anthony E. Carmosine**

*Assistant Commissioner of Banking*

*Alternate Member*

**Arthur R. Brown, Jr.**

*Secretary of Agriculture*

**Samuel Garrison**

*Alternate Member*

**Robert J. DelTufo**

*Attorney General*

**Gregory C. Schultz**

*Alternate Member*

**Judith A. Yaskin**

*Commissioner of  
Environmental Protection*

**James F. Hall**

*Alternate Member*

**Richard J. Sullivan**

*Chairman, Pinelands  
Commission*

**K. Brian McFadden**

*Alternate Member*

**Richard Chinery**

*Public Member*

Barneгат

**Ralph A. Studivant**

*Public Member*

Cedar Brook

**Judith S. Norcross**

*Public Member*

Moorestown

**Ane E. Myles**

*Public Member*

Cherry Hill

**John T. Ross**

*Acting Executive Director*

**Stephanie A. Wall**

*Administrative Assistant*

**John M. VanDalen,**

*Deputy Attorney General*

*Legal Counsel*

**Pinelands Development Credit Bank**

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