

**BOROUGH OF WASHINGTON, WARREN COUNTY, NEW JERSEY
WASHINGTON BOROUGH SPECIAL WORKSHOP COUNCIL MINUTES –
JANUARY 30, 2007**

The Special Meeting of the Borough Council of Washington, Warren County, New Jersey was held in Council Chambers located at the Borough Hall at 8:00 P.M.

Roll Call: Oakley, Van Deursen, Woykowski, House1, Higgins, Cioni, 6 Present.
Turner – Absent due to illness.

Also Present: Richard P. Cushing, Esq. Municipal Attorney
Susan Flynn, Esq. Municipal Attorney
Richard J. Sheola, Borough Manager
Kristine D. Blanchard RMC, Borough Clerk

Mayor Van Deursen read the following Statement into the Record:

“The requirements of the ‘Open Public Meetings Law 1975, Chapter 231 have been satisfied in that adequate notice of this meeting has been published in the Star Gazette and posted on the Bulletin Board of Borough Hall stating the time, place and purpose of the meeting as required by law.

Mayor Van Deursen welcomed the audience members to the Workshop Meeting and explained that Councilman Turner was ill. Out of respect for Councilman Turner the two items he requested placed on the agenda will be moved to the next regular Council Meeting.

Attorney Cushing gave a brief background of the purpose of the Workshop Meeting and also an explanation of the Tax Abatement and Exemption Law. The purpose of the meeting is to acquaint the members of the public with the benefits and consequences of the Abatement and Exemption Law. Attorney Cushing explained that Susan Flynn, an attorney from his office, and the Borough Manager, Richard Sheola will provide the history of the law, some information with respect to the Borough’s Ordinance, and will demonstrate using a specific example some of the benefits and consequences of the law.

Attorney Cushing explained that the Abatement and Exemption law was originally adopted in 1991 and the legislative findings indicated that the purpose of the law was that granting five year abatement has proven to be an effective way to promote the construction and rehabilitation of residential, commercial, and industrial sites. This also gives municipalities’ greater flexibility with respect to the ability to address concerns of deterioration and decay. The act provides a mechanism for certain dwellings and businesses to obtain a tax reduction or relief.

Attorney Cushing stated that for the purpose of this meeting he will be limiting his discussion to new construction which requires the use of tax agreements. These are agreements that are entered into between a municipality and a developer. The statute outlines three approaches that can be used. Essentially these approaches use PILOT,

which means Payment in Lieu of Taxes. The first method for calculating PILOT is called cost basis method, the second one is the cost revenue basis method, and the third is the tax phase in method. Attorney Cushing reiterated that the purpose of this statute is to provide an incentive to developers to come in to town by providing some tax relief for a period of about five years.

Attorney Cushing stated that tonight's meeting will focus in on the one redevelopment project in the Borough which is the Van Cleef project and discuss some assumptions with that particular project. Attorney Cushing explained that in preparation for tonight's meeting the professionals have made certain assumptions as to what the assessed value of the completed project would be; however the Borough does not know the actual assessed value of the property until the building is complete. The Borough Manager, Richard Sheola will review the chart which actually shows some of the financial consequences of applying the tax abatement and exemption law to this property.

Borough Manager, Richard Sheola explained that the chart shows two ways of applying the tax abatement. The cost revenue method was not used in this instance due to the fact that the development will have very few rentals.

The Borough Manager stated that for this calculation the prior assessment of \$633,000.00 and the taxes generated for the year 2006 were \$23,500.00. The assumptions used in this scenario are that the property will be assessed at 8 million when the project is completed, the 2006 tax rate was used, and lastly for this example the current ratio of assessed to true value of 66.26% was used.

The first column of the chart shows that Mr. Van Cleef would have been paying \$23,000.00 in property taxes had the buildings not been demolished. Out of that, the municipality would receive roughly \$5,800.00 a year. The next item shows that the fully completed building assessed at 8 million would generate approximately \$197,000.00 of which the municipality would receive \$49,000.00.

Borough Manager explained that with the cost basis method or 2% of cost, the total tax payments would be \$160,000.00 for each of the five years of the abatement.

Using the Phase in Approach there will be no tax payments for the first year. The second year the payment is 20% of the assessed value, the third year the payment is 40% of the assessed value this continues until the sixth year when tax payments are based on 100% of the assessed value.

Discussion:

Councilman Housel questioned who is responsible for paying the school/county taxes when using the abatement program. Manager Sheola explained that if the Borough would spread the amount owed to the schools over the 2,000 line items existing in the Borough the cost is \$8.85 per line item which is a minimal amount.

Attorney Cushing further clarified that the schools do not receive any less money. The assessment for the Borough is reduced by the amount of taxes that the Borough does not collect that it would have collected. The same amount of money is raised for the schools and the county; it is apportioned to the remaining taxpayers in the Borough.

Councilman Housel stated that the responsibility is shifted to the remaining taxpayers. Attorney Cushing explained that in the long run the amount of revenue raised benefits the entire Borough.

Councilwoman Woykowski asked if the valuation can go up during the five years the abatement agreement is in affect. Attorney Cushing stated that the Statute determines the language in the contract.

Mayor Van Deursen asked any developers in the audience if the abatement process would be used as a marketing tool to attract potential homebuyers. Mr. Van Cleef stated that is exactly the reasoning. The phase in approach is an attractive selling point due to the burdensome property taxes in the State of New Jersey.

Councilwoman Woykowski asked how does this property tax abatement set the tone for future developers looking to develop property in the Borough. Borough Attorney Cushing stated you can vary the agreements by zone or district but the Borough needs to be consistent.

Councilman Cioni stated that after several successful development projects there may be a point when the abatement ordinance is no longer needed. Attorney Cushing stated the Borough could rescind the ordinance for any future developments but not for any developments that have agreements.

Councilwoman Woykowski asked when the agreement would go into affect. Attorney Flynn stated that the agreement would go into affect at the beginning of the next full tax year.

Councilman Cioni asked if there was any kind of stipulation to regulate absentee landlords. Council for Mr. Van Cleef stated that with a condominium association you are really not able to regulate the property owners renting of the condominium.

Councilman Housel asked if a Certificate of Occupancy was given when each floor was ready to sell. Mr. Van Cleef stated that one CO would be issued for the entire building.

Councilwoman Woykowski asked if the Abatement Ordinance adopted by the Borough in 2004 had been reviewed recently. Attorney Cushing stated that the Ordinance had not been reviewed however a review will be done shortly and if the Borough feels changes are necessary Council can amend the Ordinance.

Mayor Van Deursen asked Attorney Cushing about the process of adopting this agreement. Attorney Cushing explained that the Ordinance is already in place allowing the Borough to enter into an agreement with Mr. Van Cleef. The Ordinance will be reviewed to make sure it meets all statutory requirements. The agreement would then be created with Mr. Van Cleef and submitted to the Borough Council for review.

Councilwoman Woykowski asked if the Developers Agreement and Assignment agreement will be finalized before the Borough enters into the Tax Abatement Agreement. Attorney Cushing indicated that those agreements would most likely be completed by the end of February, 2007.

Attorney Cushing also explained that Mr. Van Cleef has some concerns about signing these agreements without some kind of indication from Council as to how they feel about the Abatement Agreement.

Mr. Van Cleef agreed with Attorney Cushing stating that he is looking for a favorable consensus from the Borough Council.

Councilman Higgins questioned if the percentage of the land and improvement assessments for any future development project will remain the same. Attorney Cushing explained that the properties are assessed every year. The actual assessment usually stays for a number of years. If there was a revaluation, then the new assessment would be in place. Councilman Higgins asked how the land value jumps so high according to the charts. Assessor Tom Efstathiou explained that the land now has approval for condominiums and 8,000 sq. feet of retail space. Prior to the approval the land held dilapidated buildings. Mr. Efstathiou explained what you can do with the land is what makes land valuable.

Attorney Cushing explained that when construction ends the Assessor will provide the assessed value of the project. The assessed value will be applied to the formula and that will result in the taxes over the five year period. The first year the taxes are zero, the second year the taxes are 20% of the assessed value and so on, until you reach the fifth year.

Business Improvement District, Director Jim Sheldon offered his comments to Council. The business district supports this project 100%. The five year tax phase in is critical for the success of this project. The project will only be successful if Mr. Van Cleef is able to sell his product. Having a phased in tax plan like this one will be a huge selling point when attracting homeowners.

Mayor Van Deursen stated that she is 100% pleased with the plan and feels that it is a win/win for everyone. The Borough and the taxpayers will reap the benefits of an increased ratable coming into the Borough. Mayor Van Deursen polled the rest of Council for their comments.

Councilman Cioni stated that when you put Mr. Van Cleef's project together with the Downtown Streetscape plan the Borough is adding much more character to the downtown area and that will benefit the businesses downtown.

Councilwoman Oakley stated that she is in agreement with Councilman Cioni and Mayor Van Deursen.

Councilman Higgins stated that he believes the phase in plan is probably the best plan for now and in the future.

Councilwoman Woykowski feels that what has been presented looks good and is anxious to see the resolution and agreement to see how it is written.

Councilman Housel also feels the plan looks very good but wants to take a look at the Developer's Agreement to see if there is any concessions council has to make. Attorney Cushing stated that he does not anticipate Council having to make any concessions.

Attorney Cushing requested permission from Council to negotiate with Mr. Van Cleef to work out the language of an agreement and to also have Susan Flynn review the Borough Ordinance. Councilman Housel asked for the Developer's Agreement and the Assignment Agreement as well. Council agreed to allow Attorney Cushing to discuss the Abatement Agreement with Mr. Van Cleef.

Hearing no further business to come before Council, it was moved by Higgins, seconded by Cioni that the meeting be adjourned at 9:30 PM.

Ayes: 6, Nays: 0.
Motion carried.

Marianne Van Deursen, Mayor

Kristine Blanchard, RMC
Borough Clerk