

**NEW JERSEY HIGHLANDS COUNCIL
TDR COMMITTEE
CHAIR REPORT FOR THE MEETING OF MARCH 1, 2007**

On March 1, 2007, the TDR Committee held a meeting at the New Jersey Highlands Council office in Chester, New Jersey. Notice of the meeting was provided to the public on the Highlands Council's web site. Council members at the meeting were: Scott Whitenack, Mimi Letts and John Weingart. Council staff members present were: Dante Di Pirro, Steve Balzano, Tom Borden, Chris Danis and Jeff LeJava. The meeting was called to order at 10:05 a.m.

Mr. LeJava began the meeting by explaining that the meeting's purpose was to discuss the scope of work proposed by Integra Realty Resources ("Integra") to complete the Highlands Regional Real Estate Analysis. He stated that the ultimate objective of the analysis would be to develop Market Adjustment Factors that would be used in allocating Highlands Development Credits to sending zone parcels under the Highlands TDR Program. However, he also explained that analysis of regional real estate data would be helpful in understanding the region's real estate markets regardless of the ultimate TDR credit allocation method adopted by the Highlands Council.

Mr. LeJava then provided an overview of the proposed scope. Integra has suggested analyzing equalized improved residential property assessment data (MODIV) to determine the relative differences in per acre values by Composite Zone¹ for each municipality in the Highlands Region. Municipalities would then be ranked by per acre values and divided in quartiles. Within each quartile an appropriate Market Adjustment Factor would be derived and applied. A spreadsheet illustrating how the relative per acre values would be compared to develop the Market Adjustment Factors is attached as Appendix A.

With respect to analyzing commercial real estate data, Integra proposes developing a data set of relevant transactions of approved office, retail, and industrial land on a dollar per square foot basis of potential building area (FAR). These transactions would then be analyzed to demonstrate the variability (low, medium, high) of each type of development. Integra then proposes developing for each property class (office, retail and industrial) a ranking and rating system for High demand locations, Moderate demand locations, and Low demand locations (3 Tiers). Utilizing these tiers, Market Adjustment Factors will be developed reflecting the relative differences in commercial real estate markets across the Highlands Region.

After explanation of the proposed scope of work, discussion amongst staff and the committee members ensued regarding whether use of Market Adjustment Factors is appropriate. Ms. Letts also asked whether it would be easier to undertake appraisals of each sending zone property to determine how many credits a property owner should receive. Mr. LeJava responded that allocating credits based upon the value of lost development potential is one method that could be used by the Council. However, he explained that the appraisal process is time consuming (based upon an assessment of the appraisal process used under the State's farmland preservation program), and is quite subjective. Mr. Balzano explained that, it is staff's goal to be able to automate the process of credit determination through the Council's web-based GIS, and that development of Market Adjustment Factors to account for regional differences in real estate values would facilitate this

¹ There are 14 composite zones developed by the Highlands Council, which represent an aggregation of the nearly 1,500 different zoning districts prevalent in the Highlands Region.

automation. Ms. Letts stated that she believed that utilizing the Market Adjustment Factors is complicated and that appraisals would be easier.

Committee members also asked what the cost proposal is to complete the scope of work. Mr. LeJava stated that the proposed cost is \$200,000. Ms. Letts and Mr. Weingart asked whether a cost breakdown had been provided by Integra. Mr. LeJava stated that one had not yet been provided, but was forthcoming. Once received, the cost breakdown would be provided to the committee members.

Throughout the discussions between staff and the committee members, members of the public provided comments and questions regarding the allocation method proposed by the Council in the draft Regional Master Plan and Integra's scope of work. A few members of the public stated that they were concerned that use of Market Adjustment Factors would be too complex. They also contended that the Council should allocate TDR credits simply based on the number units a property owner loses as a result of the Highlands Act and DEP's Highlands Rules being applied to a given property. They would not differentiate between single-family detached homes, apartments or townhomes. In essence, they suggest 1 TDR credit is equal to 1 lost unit regardless of whether it is an apartment, townhome or single-family home. Other members of the public supported the Council's proposed allocation method and suggested that the relative difference in real estate markets must be accounted for to ensure that the Highlands TDR Program is fair to all property owners.

Susan Kraham of the New Jersey Audubon Society asked whether the Market Adjustment Factors would be updated on some regular basis. Mr. LeJava explained that, initially Council staff had suggested that the Market Adjustment Factors be updated on an annual or bi-annual basis. However, upon further consideration, Council staff believed that the Market Adjustment Factors should not fluctuate once they are established because the factors should reflect the relative differences in the Region's real estate markets as of August 2004. Mr. Borden pointed out that in developing the initial value of a TDR credit, the Council must consider the environmental laws and regulations in place the day before the Highlands Act was enacted. Staff believes that this provision suggests that any reflection of regional real estate values be a snapshot in time.

At the end of the discussion, committee members agreed to advance the proposed scope for consideration by the Council's Plan Development Committee, provided that Council staff would be satisfied with the scope of work cost breakdown provided by Integra.

The TDR Committee then adjourned at 11:57 a.m.