

**Policy Consideration:** **Cash Flow Timetable Policies**  
**Status:** **For Consideration by the Highlands Council at  
the October 5, 2006 Work session**  
**Date:** **October 3, 2006**

## **EXECUTIVE SUMMARY**

The Financial Component of the Regional Master Plan (RMP) documents the existing economic conditions of the Highlands Region and defines the baseline economic data for further updates and evaluation. The economic and fiscal impact data are used to form trends and conditions that allow for projections to arrive at potential costs and revenues associated with the implementation of the RMP. The Financial Component consists of three main elements: the Baseline Economic Indicators report, a Fiscal Impact Analysis and a Cash Flow Timetable. The following Regional Master Plan (RMP) policy strategies are proposed in support of the Financial Component requirement to develop a Cash Flow Timetable to track the costs of implementing the RMP and the sources of revenue for these costs. An accurate understanding of economic conditions in the Highlands Region is required in order to address the financial implications of the RMP. Staff's specific recommendations are set forth in the following section and listed by number.

## **I. STAFF POLICY RECOMMENDATIONS**

**[Following each bullet is language that is proposed for inclusion in the Policy Guidance Element of the Plan. Though Members will have the opportunity to review that language when you review the Policy Guidance Element, your input at this juncture would be very beneficial.]**

- 1) Develop a **Cash Flow Timetable** to track and provide an annual report on the costs and revenues associated with the implementation of the RMP within the following four major components:
  - Planning Grants Program
  - Land Acquisition Tracking Program
  - State Aid for Local Government Units
  - Highlands Property Tax Stabilization

Rationale: One of the most important aspects of the Highlands Water Protection and Planning Act (Highlands Act) is the creation of the Highlands Protection Fund to support the implementation of the RMP and provide funds to address the fiscal impact of the Highlands Act. Section 21 of the Highlands Act created a special non-lapsing fund, entitled the "Highlands Protection Fund", in the Department of the Treasury. Section 61 of the Highlands Act requires that \$12 million from realty transfer fees be credited to the Highlands Protection Fund in each of the first 10 years after the date of enactment of the Highlands Act and \$5 million in each year thereafter.

The Highlands Act, in Section 21.b., limits the use of the Highlands Protection Fund for:

- (1) payments to the Highlands Municipal Property Tax Stabilization Fund established pursuant to Section 19;
- (2) payments of watershed moratorium offset aid pursuant to Section 1 of P.L.1999, c. 225 (C.58:29-8);
- (3) the making of grants by the Highlands Council pursuant to Sections 13 and 18; and
- (4) allocations to the Pinelands Property Tax Assistance Fund established pursuant to Section 20.

In each of the last three State fiscal year annual appropriations acts (2004, 2005, and 2006), the following annual appropriations were credited to the Highlands Protection Fund for a total of \$12,000,000:

Highlands Protection Fund - Highland Property Tax Stabilization Aid	\$3,600,000
Highlands Protection Fund - Watershed Moratorium Offset Aid	\$2,200,000

Highlands Protection Fund - Incentive Planning Aid \$2,650,000  
Highlands Protection Fund - Regional Master Plan Compliance Aid \$1,750,000  
Highlands Protection Fund - Pinelands Property Tax Stabilization Aid \$1,800,000

The Cash Flow Timetable will track the revenues and costs associated with the above aspects of the Highlands Protection Fund, with the exception of the Pinelands Property Tax Stabilization Aid category. The four major components of the Cash Flow Timetable will address the Highlands Protection Fund as follows:

- (1) **Planning Grants Program** (including Incentive Planning Aid and Regional Master Plan Compliance Aid);
- (2) **Land Acquisition Tracking Program** (including Garden State Preservation Trust funds and other land acquisition funding);
- (3) **State Aid for Local Government Units** (Watershed Moratorium Offset Aid and other State Aid funding); and
- (4) **Highlands Property Tax Stabilization** (Highland Property Tax Stabilization Aid).

2) Create a **Planning Grants Program** to track planning assistance grants to municipalities and counties for conformance with the RMP. The grant program will:

- Create planning grant categories reflecting council approved programs designed to assist municipalities and counties with the Plan Conformance process of planning, revising and updating master plans, zoning ordinances and other land use regulations, and other incentive based planning for the voluntary component of the RMP.
- Develop and manage grant programs including but not limited to the following categories:
  - i. **Plan Conformance Grants** – Create grants programs that facilitate County and municipal conformance with the required elements of the RMP.
  - ii. **TDR Incentive Grants** – Create grant programs that provide incentives for the creation of TDR Receiving Zones, including grants for TDR feasibility, TDR market analysis, and TDR planning.
  - iii. **Special Projects Grants** – Create grant programs for incentive based projects to support the goals and objectives of the RMP.
- Create a grant program to ensure adequate Plan Conformance funding for the fifty-two (52) municipalities and seven (7) counties with lands in the Preservation Area.
- Include reserve grant funds to provide Plan Conformance funding for the thirty-six (36) municipalities entirely within the Planning Area and the Planning Area portions of the seven Highlands counties which may voluntarily choose to petition for Plan Conformance.

Rationale: Financial support is needed from the Highlands Council to bring municipalities and counties into conformance with the RMP without placing undue financial burden on counties and municipalities. Under Sections 18 and 21 of the Highlands Act, grant funds from the Highlands Protection Fund are available for distribution to conforming municipalities and counties by the Highlands Council. The Highlands Protection Fund has received State appropriations in the amount of \$4,400,000 per annum (in the amounts of \$1,750,000 per year for Compliance Aid and \$2,650,000 per year for Incentive Planning Grants). The Highlands Protection Fund presently has a FY 2007 total balance of approximately \$12,500,000. In addition, municipalities which meet the conformance criteria outlined in section 13.k. shall be eligible for a series of benefits including but not limited to TDR Incentive Grants of up to \$250,000 per municipality.

The Grant Awards section of Table 1 below outlines the various Plan Conformance Grants, TDR Incentive Grants and Special Project Grants. Table 1 shows the Planning Grant cash flow analysis. The analysis covers a five-year period beginning fiscal year (FY) 2007 and ending FY 2011. The five-year balances shown in the table are highlighted. The three components to the table include grant appropriations to the Highlands Council, both anticipated as well as those currently available, anticipated grant awards and the corresponding annual surplus/deficit and a final balance carry forward.

Plan Conformance Grants will be made available during the Plan Conformance process after the adoption of the RMP. For the Preservation Area, the process will last between nine to fifteen months after adoption. The 7 counties and 52 municipalities that are required to conform will need adequate funding to update master plans, zoning ordinances and other land use regulations. Table 1 provides a framework for the Highlands Council to allocate grant funds during the Plan Conformance process. The assumptions and analysis that were utilized are more fully discussed in the Technical Report for the Financial Component. The final balance seen at the bottom of Table 1 shows a general decrease in the balance through the five-year period ultimately ending with a final five-year balance which will be necessary as municipalities and counties prepare for review and update of their master plans beginning FY 2012.

The three components of the Planning Grants cash flow statement below include:

- 1) Appropriations – these are fixed outlays from the State fiscal year annual appropriations acts:
  - i. RMP Compliance Aid - programs that facilitate County and municipal conformance with the required elements of the RMP.
  - ii. Incentive Planning Aid – programs to further enhance planning initiatives or address local and/or County planning issues
- 2) Awards – these values were derived from a series of assumptions:
  - i. It is estimated that it will, at a minimum, cost roughly \$100,000 per municipality or county for the revision of master plans, zoning ordinances, other development regulations and general administrative costs. Conversely, the remaining thirty-six planning area towns, which meet RMP conformance criteria according to section 13.k. of the Highlands Act, can chose or "opt-in" during any time after the adoption of the RMP. In order to ensure sufficient planning grant fund availability, all thirty-six Planning Area towns were included in this analysis, which is, 100% municipal opt-in.
  - ii. All 52 municipalities with portions of Highlands Preservation Area will conform by March 2008 or 15 months after the adoption of the RMP.
  - iii. All seven counties with portions of Highlands Preservation Area will conform by March 2008 or 15 months after the adoption of the RMP.
  - iv. Starting FY 2009, all planning area towns will begin opting-in to the conformance process at a rate of nine towns/year through FY 2012 (although this analysis ends FY 2011).
- 3) Net Surplus (Deficit) – reflects the annual balance from revenues and costs.

**Planning Grant Cashflow Statement (Full Opt-in)**

<b>Appropriations</b>	<b>FY 2006 (Includes Balance Carry Forward)</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>5-Year Total</b>
RMP Compliance Aid	\$2,840,210	\$1,750,000	\$1,750,000	\$1,750,000	\$1,750,000	\$1,750,000	\$11,590,210
Incentive Planning Aid	\$5,264,704	\$2,650,000	\$2,650,000	\$2,650,000	\$2,650,000	\$2,650,000	\$18,514,704
<b>Total Appropriations</b>	<b>\$8,104,914</b>	<b>\$4,400,000</b>	<b>\$4,400,000</b>	<b>\$4,400,000</b>	<b>\$4,400,000</b>	<b>\$4,400,000</b>	<b>\$30,104,914</b>
<b>Grant Awards</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>5-Year Total</b>
Plan Conformance Grants	NA	(\$2,400,000)	(\$3,590,000)	(\$1,201,471)	(\$1,226,472)	(\$1,246,471)	(\$9,664,414)
TDR Incentive Grants	NA	(\$1,000,000)	(\$1,250,000)	(\$1,500,000)	(\$1,750,000)	(\$2,000,000)	(\$7,500,000)
Special Project Grants	(\$940,500)	(\$1,500,000)	(\$3,000,000)	(\$2,500,000)	(\$2,500,000)	(\$2,500,000)	(\$12,940,500)
<b>Total Grant Awards</b>	<b>(\$940,500)</b>	<b>(\$4,900,000)</b>	<b>(\$7,840,000)</b>	<b>(\$5,201,471)</b>	<b>(\$5,476,472)</b>	<b>(\$5,746,471)</b>	<b>(\$30,104,914)</b>
<b>Net Surplus (Deficit) and Final Balances</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>5-Year Balance</b>
Total Appropriations	\$8,104,914	\$4,400,000	\$4,400,000	\$4,400,000	\$4,400,000	\$4,400,000	\$30,104,914
Total Grant Awards	(\$940,500)	(\$4,900,000)	(\$7,840,000)	(\$5,201,471)	(\$5,476,472)	(\$5,746,471)	(\$30,104,914)
Annual Surplus/ (Deficit)	NA	(\$500,000)	(\$3,440,000)	(\$801,471)	(\$1,076,472)	(\$1,346,471)	NA
<b>Balance Carry Forward</b>	<b>\$7,164,414</b>	<b>\$6,664,414</b>	<b>\$3,224,414</b>	<b>\$2,422,943</b>	<b>\$1,346,471</b>	<b>\$0</b>	<b>\$0</b>

- 3) Create a **Land Acquisition Tracking Program** to identify program needs and inform an acquisition strategy.

**Rationale:** The Cash Flow Timetable will serve to track and monitor sources of funding for the Highlands Land Acquisition program. This includes grants, donations and loans from local, State, and federal departments, agencies, and other governmental entities and programs (such as the Highlands transfer of development rights program). This will allow the Council and interested stakeholders to consider the range of funds needed and an approach for working with the Legislature and other funding sources. The nature and extent of lands that may be appropriate for land preservation acquisitions will be informed by the Land Use Capability Map, Regional Master Plan, Municipal Conformance and Plan Conformance decisions.

In order to estimate the funds required for land preservation, the Financial Component includes an examination of recent trends in acquisition cost by existing land preservation programs including Green Acres and the State Agriculture Development Committee (SADC). These programs have been instrumental in preserving approximately 43,000 acres of critical lands within the Highlands since 1987. Utilizing their historic acquisition data, corrected to reflect recent market trends in real estate value, it is estimated that \$15,000 per acre is an appropriate value for use in projecting future funding needs for the Highlands Region.

Considering current open space taxes and historical trends, local municipal, county and non-profit organizations invest approximately \$72 million annually in open space preservation projects in the

Highlands Region. It is anticipated that there will be a continued level of investment by our local partners. Additionally, since 1996, the federal government has contributed \$21 million for preservation programs within the Highlands Region. Therefore, it is estimated that an annual federal contribution will be roughly \$2 million. Based upon these and other sources, it is estimated that approximately \$75 million dollars will be available for the Highlands Region on an annual basis or approximately \$750 million over the next ten years. These totals do not include projections from a possible re-authorization of the Garden State preservation Fund, which has traditionally contributed up to 50% of all funds spent on preserved lands. Accordingly, the total acreage identified through the Land Use Capability Map will need to be acquired through these and State funding sources through either fee simple or easement acquisitions.

Track and evaluate the level of **State Aid for Local Government Units** within the Highlands Region. The Highlands Act specifically charges the Council with detailing the costs of watershed moratorium offset aid, payment-in-lieu-of-taxes and other State aid for local government units.

Rationale: A review of the FY 2006 State aid program was conducted for each municipality and it was determined if these sums are likely to remain the same or change in the next 2 to 5 years. The State aid totals received by each municipality are calculated by separating these aid programs into one of three categories – The Municipal Government line (which includes the watershed moratorium offset aid and payment-in-lieu-of-taxes programs), the Local and Regional School District line, and the County portion. This component of the Cash flow Timetable is primarily focused on the Municipal Government Line, as specific aid programs are directly relevant to the implementation of the Act and RMP. Total State Aid to the 88 Highlands municipalities is \$627,628,123 (Municipal - \$125,023,090 (19.9%), School \$440,627,500 (70.2%), and County \$61,977,533(9.9%)).

The cash flow statement below is separated into 4 components:

- 1) Municipal Government Line – this represents the 7 programs contributing to the total aid funds provided to Municipalities
  - a. Consolidated Municipal Property Tax Relief (CMPTR) aid and Energy Tax Receipts (ETR). These are grouped together due to the funding freeze mechanism that uses ETR to offset automatic increases in the CMPTR
  - b. Legislative Initiative Block Grant – traditionally based on population (before the current funding freeze)
  - c. Municipal Homeland Security Assistance Aid – a block grant for towns spending more than \$300,000 on law enforcement
  - d. Watershed Moratorium Offset Aid - \$47 per acre outlay for properties owned by public and private utilities. These amounts are fixed.
  - e. Garden State Trust PILOT – this is a sliding scale for offset aid to those towns that have more than 20% of their lands preserved.
  - f. Highlands Property Tax Stabilization Board funds – provided to towns to offset a loss in tax dollars for vacant land that can prove a reduction in property value directly attributable to the Highlands Act
  - g. Extraordinary Aid – a last measure State aid outlay for towns unable to meet their budgetary requirements.
- 2) Local and Regional School - these funds are tracked as a whole
- 3) County Portion – this reflects offsetting and assumed costs savings to individual counties and does not reflect a true net payout of the funds listed in the table. The New Jersey Department of Community Affairs has the following information explaining this portion of the Total State aid program:
  - CY 2006 estimated cost savings from the State program assuming certain human service costs, which

- took effect in 1991
  - CY 2006 State resources utilized in the assumption of county court costs
  - Apportionment of State education aid provided to County Special Services and Vocational Education Districts (including social security costs, and debt service aid)
  - County Prosecutor Funding Initiative Pilot Program”
- 4) Total State Aid – a summary of the three components

It is assumed there will be a net \$0 balance as municipalities are considered to generally spend these monies on an annual basis

### Municipal Government Line

State Aid	FY 2006	FY 2007	FY 2008	FY 2009
CMPTRA / ETR	\$111,976,374	\$111,976,377	\$111,976,377	\$111,976,377
Legislative Initiative Muni Block Grant	\$3,183,405	\$3,183,405	\$3,183,405	\$3,183,405
Municipal Homeland Security Assistance Aid	\$3,780,000	\$3,780,000	\$3,780,000	\$3,780,000
Watershed Moratorium Offset Aid	\$1,824,164	\$1,824,164	\$1,824,164	\$1,824,164
Garden State Trust PILOT	\$1,815,494	\$1,815,494	\$1,815,494	\$1,815,494
Highlands PTSB	\$88,653	\$88,653	\$88,653	\$88,653
Extraordinary Aid	\$2,355,000	\$2,355,000	\$2,355,000	\$2,355,000
Total Appropriations	\$125,023,090	\$125,023,093	\$125,023,093	\$125,023,093

### Local and Regional School

State Aid	FY 2006	FY 2007	FY 2008	FY 2009
Total Aid to Municipalities	\$440,627,500	\$449,440,050	\$458,428,851	\$467,597,428

### County Portion

State Aid	FY 2006	FY 2007	FY 2008	FY 2009
Total Aid to Municipalities	\$61,977,533	\$61,977,533	\$61,977,533	\$61,977,533

### Total State Aid

State Aid	FY 2006	FY 2007	FY 2008	FY 2009
Municipal Government Line	\$125,023,090	\$125,023,093	\$125,023,093	\$125,023,093
Local and Regional School District	\$440,627,500	\$449,440,050	\$458,428,851	\$467,597,428
County Portion	\$61,977,533	\$61,977,533	\$61,977,533	\$61,977,533
Total Appropriations	\$627,628,123	\$636,440,676	\$645,429,477	\$654,598,054

- 4) Refine the **Property Tax Stabilization** model.

Rationale: The current procedures established in the Highlands Act are under review by the Highlands Property Tax Stabilization Board (PTSB) as recent outlays have been found to be incomplete in terms of justification and assessing valuation changes. The Council should provide an annual report of the PTSB and establish a process to track these changes for long term projections, based on a set of metrics that define affected properties. In FY 2005 one County, Passaic, submitted 5 appeals attributing a decline in property value directly related to the Highlands Act. A total of \$88,653.00 was refunded to three municipalities to offset the loss in tax revenues. The other six counties with municipalities in the

Highlands Region (Bergen, Hunterdon, Morris, Somerset, Sussex, and Warren) delayed hearing tax appeals related to the Highlands Act because final land use changes were not yet in place.

Revenues / Costs	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	5-Year Total
PTSB Appropriations	\$10,900,000	\$3,600,000	\$3,600,000	\$3,600,000	\$3,600,000	\$25,300,000
PTSB Distribution	(\$88,653)					
Annual Surplus / (Deficit)	\$10,811,347					
<b>Balance Carry Forward</b>	<b>\$10,811,347</b>					

6) The following **Pre-Conformance** strategy is recommended in furtherance of the goals and requirements of the Highlands Act to ensure successful implementation of the RMP during the Pre-Conformance period, including:

- Request municipalities to provide comments and suggestions for the Cash Flow Timetable.

Rationale: RMP implementation strategies will contribute to the development of those activities, data and programs that will be required of both the Highlands Council and municipal and county stakeholders during the Plan Conformance process as well as longer term planning goals. Municipal review of economic data will support data quality measures. The RMP is a “living document” and will continue to be refined and developed in support of regional planning goals. In order to facilitate regional planning goals, the RMP must have State, County, and local support from all levels of government and stakeholders of the Highlands Region. As part of a comprehensive data management program, municipalities will be required to confirm and update baseline data. These towns will benefit from this improved profile when deciding policy and planning issues.

7) The following **Conformance** strategy is recommended in furtherance of the goals and requirements of the Highlands Act to ensure successful implementation of the RMP during the Conformance period, including:

- Request municipalities and counties to use the Cash Flow Timetable to track expenses and provide feedback as to how these fluctuated from the projections provided. This feedback will serve as data inputs for the ongoing tracking protocols.
- Require municipalities to provide complete list (format to be provided) of preserved lands within their borders.
- The Council staff will provide education and technical support in support of the financial component of the RMP.

Rationale: Documented costs and proactive tracking of funds will allow for annual analysis and re-calculated projections. Municipal participation will allow for greater input of local conditions into RMP economic initiatives and serve as a resource for evaluating shared service opportunities and inform economic and capital planning. The RMP is a “living document” and will continue to be refined and developed in support of regional planning goals. In order to facilitate regional planning goals, the RMP must have State, County, and local support from all levels of government and stakeholders of the Highlands Region.

8) The following **Five Year Highlands Resource Protection and Planning goal** is recommended in furtherance of the goals and requirements of the Highlands Act to ensure continued refinement and development of the RMP, including:

- Request municipal participation in the Cash Flow Timetable process in support of long term planning.

Rationale: Documented costs and proactive tracking of funds will allow for annual analysis and re-calculated projections. This will contribute to the council’s goal of ascertaining (and projecting) the true costs of implementing the RMP. Municipal participation will allow for greater input of local conditions into RMP economic initiatives. The Highlands Act requires the Highlands Council to periodically revise and update the RMP at least once every six years. Section 8.a.

- 9) The following **Coordination and Consistency Considerations** are recommended to promote active participation in the implementation of the RMP among state and federal agencies:
- Develop technical guidance and process with the Garden State Preservation Trust to ensure adequate funding levels and that priority parcels are being purchased.
  - Coordinate acquisition funding requirements with State Legislature, not-for-profits, and other preservation entities
  - Continue to work with the Highlands Property Tax Stabilization Board and provide relevant information pertaining to vacant land valuation and development trends

Rationale: Facilitating the necessary coordination and support from State programs and sister agencies will be a major factor in successfully implementing the RMP/Act. RMP Implementation Strategies contribute to the determination of how appropriate local, State, and federal programs and policies may best be coordinated to promote the goals, purposes, policies, and provisions of the RMP.

- 10) The following **Local Participation Considerations** are recommended to promote the understanding and support for the RMP at the local level.
- Support the land acquisition at the local level through the tracking and reporting of the Cash Flow Timetable.
  - Develop educational and procedural handouts for landowners interested in preservation programs.

Rationale: RMP Implementation Strategies support the necessity to provide for the maximum feasible local government and public input into the Highlands Council's operations. Section 11.a.(3)(emphasis added). The RMP is a “living document” and will continue to be refined and developed in support of regional planning goals. In order to facilitate regional planning goals it is imperative that the RMP have State, County, and local support from all levels of government and the support of the stakeholders of the Highlands Region. By providing a level of understanding, technical assistance and predictability to conforming towns the overall visions established through the Plan Conformance processes are better able to be tracked, implemented and monitored.

## **II. REQUIREMENTS OF THE HIGHLANDS ACT AND RMP GOALS RELATED TO CASHFLOW TIMETABLE REQUIREMENTS:**

### Goals of the Highlands Act:

In accordance with Section 10 of the Highlands Act, the overarching goal of the Regional Master Plan “with respect to the entire Highlands Region shall be to protect and enhance the significant values of the resources thereof in a manner which is consistent with the purposes and provisions of this act.” Section 10.a.

The Highlands Act does not include specific goals relating to the establishment of the Cash Flow Timetable; however, numerous goals of the Act have substantial implications on timetable issues. Those goals with respect to the Preservation Area shall be to:

- preserve extensive and, to the maximum extent possible, contiguous areas of land in its natural state, thereby ensuring the continuation of a Highlands environment which contains the unique and significant natural, scenic, and other resources representative of the Highlands Region. Section 10.b.(2).
- preserve farmland and historic sites and other historic resources. Section 10.b.(4).
- promote conservation of water resources. Section 10.b.(6).
- promote brownfield remediation and redevelopment. Section 10.b.(7).
- promote compatible agricultural, horticultural, recreational and cultural uses and opportunities within the framework of protecting the Highlands environment. Section 10.b.(8).
- prohibit or limit to the maximum extent possible construction or development which is incompatible with preservation of this unique area. Section 10.b.(9).

In addition, the goals with relating to protection of scenic resources with respect to the Planning Area shall be to:

- preserve to the maximum extent possible any environmentally sensitive lands and other lands needed for recreation and conservation purposes. Section 10.c.(2).
- protect and maintain the essential character of the Highlands environment. Section 10.c.(3).
- promote conservation of water resources. Section 10.c.(7).
- promote brownfield remediation and redevelopment. Section 10.c.(8).
- encourage, consistent with the State Development and Redevelopment Plan and smart growth strategies and principles, appropriate patterns of compatible residential, commercial, and industrial development, redevelopment, and economic growth, in or adjacent to areas already utilized for such purposes, and discourage piecemeal, scattered, and inappropriate development, in order to accommodate local and regional growth and economic development in an orderly way while protecting the Highlands environment from the individual and cumulative adverse impacts thereof. Section 10.c.(9).

#### Requirements of the Highlands Act:

##### *Financial Component*

Section 11.a.(2) charges the Council with developing “[a] financial component; together with a **cash flow timetable** which:

- (a) details the cost of implementing the regional master plan, including, but not limited to, property tax stabilization measures, watershed moratorium offset aid, planning grants and other State aid for local government units, capital requirements for any development transfer bank, payments in lieu-of-taxes, acquisition, within five years and within 10 years after the date of enactment of this act, of fee simple or other interests in lands for preservation or recreation and conservation purposes, compensation guarantees, general administrative costs, and any anticipated extraordinary or continuing costs; and
- (b) details the source of revenue for covering such costs, including, but not limited to, grants, donations, and loans from local, State, and federal departments, agencies, and other governmental entities, and from the private sector. (emphasis added)

##### *Smart Growth Component*

The Highlands Act includes specific requirements relating to wastewater capacity, requiring the development of a Smart Growth component that includes “A smart growth component that includes an assessment, based upon the {the Resource Assessment}, of opportunities for appropriate development, redevelopment, and economic growth, and a transfer of development rights program which shall include consideration of public investment priorities, infrastructure investments, economic development, revitalization, housing, transportation, energy resources, waste management, recycling, brownfields, and

design such as mixed-use, compact design, and transit villages. In preparing this component, the council shall:

- (a) prepare a land use capability map;
  - (b) identify existing developed areas capable of sustaining redevelopment activities and investment;
  - (c) identify undeveloped areas in the planning area, which are not significantly constrained by environmental limitations such as steep slopes, wetlands, or dense forests, are not prime agricultural areas, and are located near or adjacent to existing development and infrastructure, that could be developed;
  - (d) identify transportation, water, wastewater, and power infrastructure that would support or limit development and redevelopment in the planning area. This analysis shall also provide proposed densities for development, redevelopment, or voluntary receiving zones for the transfer of development rights;
  - (e) identify potential voluntary receiving zones in the planning area for the transfer of development rights through the appropriate expansion of infrastructure or the modified uses of existing infrastructure;
  - (f) issue model minimum standards for municipal and county master planning and development regulations outside of the preservation area, including density standards for center-based development to encourage, where appropriate, the adoption of such standards;
  - (g) identify special critical environmental areas and other critical natural resource lands where development should be limited; and
  - (h) identify areas appropriate for redevelopment and set appropriate density standards for redevelopment. Any area identified for possible redevelopment pursuant to this subparagraph shall be either a brownfield site designated by the Department of Environmental Protection or a site at which at least 70% of the area thereof is covered with impervious surface.”
- Section 11.a.(6).

#### *Preservation Area Assessment*

For the Preservation Area, Section 12 of the Highlands Act requires “a land use capability map and a comprehensive statement of policies for planning and managing the development and use of land in the preservation area, which shall be based upon, comply with, and implement the environmental standards” adopted by NJDEP and the Resource Assessment prepared the Highlands Council under Section 11. Section 12.

Section 12 specifically requires implementation “that will ensure the continued, uniform, and consistent protection of the Highlands Region in accordance with the goals, purposes, policies, and provisions of this act, and shall include:

- a. a preservation zone element that identifies zones within the preservation area where development shall not occur in order to protect water resources and environmentally sensitive lands and which shall be permanently preserved through use of a variety of tools, including but not limited to land acquisition and the transfer of development rights; and
- b. minimum standards governing municipal and county master planning, development regulations, and other regulations concerning the development and use of land in the preservation area, including, but not limited to, standards for minimum lot sizes and stream setbacks, construction on steep slopes, maximum appropriate population densities, and regulated or prohibited uses for specific portions of the preservation area. Section 12.

#### *Local Participation Component*

A component to provide for the maximum feasible local government and public input into the council's operations, which shall include a framework for developing policies for the planning area in conjunction with those local government units in the planning area who choose to conform to the regional master plan. Section 11.a.(3).

#### *Coordination and Consistency Component*

A coordination and consistency component which details the ways in which local, State, and federal programs and policies may best be coordinated to promote the goals, purposes, policies, and provisions of the regional master plan, and which details how land, water, and structures managed by governmental or nongovernmental entities in the public interest within the Highlands Region may be integrated into the regional master plan. Section 11.a.(4).

### III. TECHNICAL BASIS AND JUSTIFICATION FOR STAFF RECOMMENDATIONS

The Cash Flow Timetable is a tool which measures incoming and outgoing costs and revenues for a given variable over a certain period of time. It uses historic and current data and trends to build a framework of assumptions which incorporates a standard methodology to analyze the four major components. Regional and municipal baseline values are established by considering existing State formulas or creating new formulas for each with data from historical trends and outputs from the build-out and fiscal impact analysis. Individual tables reflect actual current values and the Council will continue to track these based on the specific set of assumptions for each. Further study of a wider range of fiscal impacts will improve the cash flow model and the expansion of this element is planned as the implementation process moves forward.

### IV. GLOSSARY

**Cash Flow Timetable** – The financial component of the RMP requires a cash flow timetable which details the cost of implementing the Regional Master Plan and details the source of revenue for covering such costs. *Section 11.a.(2).*

**Planning Assistance Grants** - The administration of planning grants and other financial assistance by the Highlands Council to eligible municipal and county governments for the purposes of revision of their master plans, development regulations and other regulations in order to bring them into conformance with the RMP. These grants will also be used toward the implementation of a transfer of development rights program. *Section 13 and 18.*

**State Aid for Local Government Units** - State aid totals received by each municipality are calculated by separating these aid programs into one of three categories; the Municipal Government line, the Local and Regional School District line, and the County portion.

**Garden State Preservation Trust (GSPT) Payment-in-Lieu-of-Taxes** - The Garden State Preservation Trust Fund Act provides a sliding scale of payments in lieu of taxation for property purchased by the State to replace the ratable loss absorbed by the local taxing districts.

**Property Tax Stabilization Program** – The Highlands Municipal Property Tax Stabilization Board, located in the Department of Treasury, is responsible for determining the valuation base of a qualified municipality, whether fiscal stress has been caused by the implementation of the Highlands Act in a qualified municipality, and the amount due a qualified municipality to compensate for a decline in the aggregate true value of vacant land directly attributed to the implementation of the Highlands Act. *Section 19.*

**Watershed Moratorium Offset Aid** - Legislation passed in 2004 re-established the Watershed Moratorium Offset Aid and Pinelands Property Tax Stabilization Aid. To offset the impact of the moratorium on municipal property taxes, the Legislature amended the Watershed Protection and Management Act of 1997, N.J.S.A. 58:29. This amendment, which is included as a provision of the Highlands Act, permits payments to a municipality of \$47 per acre for lands subject to the watershed moratorium located in the municipality. These amounts are fixed and are shown on the Certification for the recipients. *Section 82.*