

HIGHLANDS REGIONAL



MASTER PLAN  
2008

# *Highlands Development Credit Bank*

*Board Meeting  
October 27, 2011*



# HDC Bank Initial Purchase Program

□ The HDC Bank created an **Initial Purchase Program** to acquire Highlands Development Credits (HDCs) from qualified applicants and to date has nearly completed three rounds:

❖ **First Round** – 87 HDCs on 109 acres acquired for \$1,392,000.

❖ **Second Round** – 54.50 HDCs on 81 acres to be acquired for \$872,000.

❖ **Third Round** – 203 HDCs on 130 acres to be acquired for \$3,248,000.

❖ The **average price per acre** for the above properties is **\$18,780**.

□ Under the program to date, the Bank has acquired **134.25 HDCs** resulting in the **permanent protection of 174 acres**. Closings on six properties are pending.

# Fourth Round of Initial Purchase Program

- ❑ Upon completion of third round of acquisitions, there will be over **\$2 million** remaining in acquisition funds.
- ❑ **November 3, 2011** – deadline for submitting **HDC Allocation Application** to the Highlands Council if property owner has not already done so.
- ❑ **December 29, 2011** – deadline for submitting **HDC Certificate Application** to HDC Bank where property qualifies for Bank consideration.
- ❑ **February 2, 2012** – HDC Bank meeting to review applications that qualify for Fourth Round consideration.

# HDC Bank Initial Purchase Program

- ❑ The HDC Bank has 5 priority acquisition categories:
  1. Missed qualifying for Exemption #3 and have extenuating financial circumstances;
  2. Suffer from extenuating financial circumstances;
  3. Missed qualifying for Exemption #3;
  4. Qualified for Exemption #3, but exemption expired; or
  5. Property located in either Special Environmental Zone or High Value Agricultural Priority Area, and property owner previously offered property for preservation purposes.

# HDC Hardship Consideration

- ❑ To qualify for **extenuating financial circumstances**, a property owner must demonstrate that:
  - (1) the owner is experiencing an extenuating financial circumstance; **and**
  - (2) that the owner's equity in the property to which HDCs will be allocated is substantial in relation to the owner's net worth.
- ❑ Through the first 3 rounds, **24 applicants** have sought consideration under the HDC Bank's extenuating financial circumstances criteria ; 8 of those applications were approved in the first two rounds of consideration; **3 applicants qualified under the third round and 2 have sought an offer** through a HDC Certificate Application.

# Status of HDC Allocations

- ❑ The Highlands Council has received HDC Allocation Applications from 76 property owners since launching the program in November 2009. This includes 46 new applications received since January 1, 2011.
- ❑ To date, **66 applicants** have received an allocation determination for their property. **Forty-nine (49) applicants have received an HDC allocation** while the property of 17 applicants did not receive any allocation.
- ❑ Properties do not receive an allocation where there is no remaining development potential for which HDCs could be allocated. This may occur because of pre-Highlands Act environmental constraints, access issues, undersized lots, or existing easements or deed restrictions.
- ❑ The Highlands Council has allocated a total of **1,088 HDCs** to the 49 applicants' properties representing **a total HDC value of \$17,408,000.00** based upon the \$16,000 initial credit price. The **total acreage** receiving an HDC allocation to date is **2,189.79 acres**. The **average price per acre is \$7,949.62**.

# Status of HDC Allocations

As of October 27, 2011

	Allocations	Offers	Closings
Total HDCs	1,088	424	134.25
Total HDC Value	\$ 17,408,000.00	\$6,784,000	\$ 2,148,000.00
Total Acres	2,189.79	484.55	173.8
Avg Price per Acre	\$ 7,949.62	\$14,000.62	\$ 12,359.03

# Work Session on Non-Residential Allocations



# Work Session on Non-Residential Allocations

- ❑ In August of 2010, Highlands Council assessed residential allocations in the *Land Preservation in the Highlands Region* report.
- ❑ That analysis demonstrated that the per acre value of **residential HDC allocations is, on average, consistent** with the per acre value of the transactions completed under the Farmland Preservation Program administered by SADC and the Green Acres Program administered by NJDEP.

# Work Session on Non-Residential Allocations

## Average per Acre Costs of Existing Preservation Programs

Preservation Program	Per Acre Avg.
SADC - Farmland Preservation (Highlands Parcels Only)	\$ 9,815.88
Green Acres (Highlands Parcels Only; fee purchase)	\$ 10,264.68
Highlands TDR - Allocated HDCs to Date (49 property owners)	\$7,949.62
• Completed acquisitions (172 residential acres)	\$ 10,356.29

# Work Session on Non-Residential Allocations

- ❑ Section 13 of the Highlands Act requires that the Highlands Council set the initial value of a development right considering NJDEP rules and regulations in effect the **day before the enactment of the Highlands Act**.
- ❑ In the RMP, the Highlands Council established a specific methodology to calculate and allocate Highlands Development Credits (HDCs) for both residential and non-residential properties.
- ❑ Both allocation methods utilized pre-Highlands Act **NJDEP rules** and **municipal zoning** as the factors in the allocation method.

# Work Session on Non-Residential Allocations

- ❑ Within the 859,267 acre Highlands Region, 72,030 acres are zoned non-residential (industrial, office/commercial and retail). Thus **8% of Highlands is zoned non-residential**. However, only **3,500 acres are vacant lands in the Preservation Area**. To date, 9 of 76 applications have involved non-residentially zoned properties.
- ❑ The RMP allocation method for non-residentially zoned property considers:
  - a) **pre-Highlands Act development potential expressed as permitted square feet of building area**, and
  - b) **unit values for different types of non-residential uses** (land values on a dollar per square foot vary between retail, office and industrial).

# Work Session on Non-Residential Allocations

- ❑ The Highlands Council has issued HDC allocations to **5 non-residentially zoned properties**. The average per acre price of those five allocations is approximately **\$70,000 per acre**.
  
- ❑ The variability between the five allocations (issued to date) is based on:
  - **Size of the parcel**
  - **Zoning** (industrial, office or retail)
  - **Pre-Highlands Act environmental constraints**
  - **Infrastructure** – if area was approved for sewer service prior to Highlands Act (properties on septic systems would yield smaller buildings).

# Work Session on Non-Residential Allocations

## Non-Residential Allocations to Date

County	Municipality	Block	Lot(s)	Acres (GIS)	HDC Allocation	Total Value of HDC Allocation	Per Acre Cost
Warren	Franklin	15	11.03	9.69	42.00	\$672,000.00	\$69,349.85
Morris	Mt. Olive	8301	13	2.31	23.25	\$372,000.00	\$161,038.96
Warren	Independence	1	67	26.76	30.25	\$484,000.00	\$18,086.70
Passaic	West Milford	6902	23	6.95	30.25	\$484,000.00	\$69,640.29
Passaic	West Milford	6803	4	16.11	30.25	\$484,000.00	\$30,043.45

# Work Session on Non-Residential Allocations

## Non-Res Highlands Properties Preserved by SADC or Green Acres

County	Muni	Block	Lot(s)	Acres	Zoning	Source	Total Acquisition Cost	Price/Acre	Closing Date
Morris	Washington	19	3 & 4	24.82	Office/Comm	SADC	\$2,285,605.00	<b>\$92,087.23</b>	4/29/10
Warren	White	52	18 & 19	3.77	Office/Comm	Green Acres	\$400,000.00	<b>\$106,100.80</b>	Post Act

# Work Session on Non-Residential Allocations

- ❑ Using the **limited non-residential closings** by **SADC** and **Green Acres** in the Highlands Region, the average per acre price of those transactions is approximately **\$100,000 per acre**.
- ❑ The **\$70,000 per acre** average price of the five allocations made to date are **realistic per acre values** when examined against **\$100,000 per acre** average of actual land preservation transactions.



# Work Session on Non-Residential Allocations

## Comparable Non-Res Highlands Properties

County	Muni	Block	Lot	Acres	Zoning	Sales Date	Sales Price	Price/Acre
Warren	Washington Twp.	64	4	2.17	Hwy Commercial	5/12/03	\$ 200,000.00	<b>\$ 92,165.90</b>
Warren	Lopatcong	16	24.01	0.91	Hwy Business	7/11/03	\$ 145,000.00	<b>\$ 159,340.66</b>
Warren	Washington Twp.	30	5	2	Hwy Commercial	7/19/02	\$ 172,500.00	<b>\$ 86,250.00</b>

# Work Session on Non-Residential Allocations

- ❑ The assessment also evaluated comparable land sales data to the HDC allocation for the farm property in Franklin Township. This 9.69-acre property received an HDC allocation of 42 HDCs valued at **\$69,349.85 per acre**. In comparison, the **3 similarly situated parcels examined had a per acre average of approximately \$113,000**.
- ❑ The **\$70,000 per acre** average per acre price of the five allocations made to date are **realistic per acre values** when examined against **\$113,000 per acre** average of comparable land sales.

# Work Session on Non-Residential Allocations

- ❑ Staff also examined sales of 7 undeveloped commercial properties in the Highlands Region both before and after passage of the Act. (Note: simulated allocations were not based upon the full level of detailed review that would normally occur with an actual HDC allocation application, including a site visit, examination of sewer infrastructure & capacity, water infrastructure & capacity, road frontage/access restrictions, contract conditions, easements, approvals & status of permits, contamination, violations, required roadway or other public improvements and right-of-way dedications).
- ❑ Assessment compared the estimated HDC allocation for each with the actual sale. On average, the per-acre value of the actual sales of the 7 properties examined was **\$197,645 per acre which is comparable to the average HDC per acre value of \$193,000**. (Note: these values involve lands in the Planning Area and all are in the Existing Community Zone where they would not be eligible for the TDR Program).

# Work Session on Non-Residential Allocations

## Comparison of Non-Res Land Sales to Estimated Allocations

Town	Block	Lot	Acres	Sales Price	Sale Date	Sale Price/Acre	HDC Value	HDC Price /Acre	HDC Use
Denville	21203	1	14.4	\$1,800,000	5/10/2002	<b>\$124,671</b>	\$2,868,000	<b>\$198,642</b>	retail
Mansfield	1105	12.02	7.2	\$1,300,000	12/2/2003	<b>\$181,666</b>	\$1,884,000	<b>\$263,276</b>	retail
Rockaway Twp	22401	3.06	25.4	\$4,000,000	9/30/2005	<b>\$157,183</b>	\$4,824,000	<b>\$189,563</b>	office
Mount Olive	106	2	9.2	\$1,000,000	3/5/2008	<b>\$109,206</b>	\$1,600,000	<b>\$174,730</b>	office
Randolph	145	2	3.4	\$900,000	5/22/2008	<b>\$261,628</b>	\$ 904,000	<b>\$262,791</b>	retail
Roxbury	5001	1	3.0	\$650,000	4/22/2009	<b>\$215,232</b>	\$524,000	<b>\$173,510</b>	office
Clinton Twp	78	1	1.4	\$466,500	3/24/2011	<b>\$333,930</b>	\$247,500	<b>\$177,165</b>	office

# Work Session on Non-Residential Allocations

- Some important considerations regarding non-residential zoning:

The **residual value** of non-residential property under the Highlands Act is minimal as these landowners retain vacant land that is deed restricted for agricultural or conservation purposes unlike a residential property that may have a residence (using applicable exemption).

The average of \$70,000 per acre for HDC allocations to **non-residential** properties is significantly higher than the average per acre value for that of **residential properties** (presently in the range of \$8,000 to \$10,000), the Highlands Act requires that the value of a development right reflect the pre-Act development potential. The properties that were zoned for non-residential use, such as office, retail and industrial use, have a higher per acre value because such uses reflect a more valuable level of development potential before the passage of the Act.

# Discussion on Non-Residential Allocations

# RESOLUTION

*Authorization to Acquire HDCs  
under the Third Round of  
Acquisition Consideration*

# Third Round Properties for Acquisition Reconsideration

- ❑ At its **July 28, 2011** meeting, the **HDC Bank approved** the purchase of HDCs from **5 of the 7 properties** under consideration.
- ❑ The property owners of the **two properties** not approved are **seeking reconsideration**.
- ❑ One property qualifies for consideration on basis of that all or portion of property is within the **High Value Agriculture Priority Area**, property was offered for preservation, but not eligible; the other property qualifies on the basis of **extenuating financial circumstances**.



## 2 Properties for Reconsideration - Third Round

- A. Franklin Township, Block 15, Lot 11.03
- B. Washington Township (Warren), Block 40, Lots 33.01 & 109

# Property A

## Franklin Township

- Property being reconsidered in light of the previous discussion regarding the assessment of the non-residential allocations made to date.



Franklin Warren Block 15 Lot11.03





Franklin Warren Block 15 Lot11.03



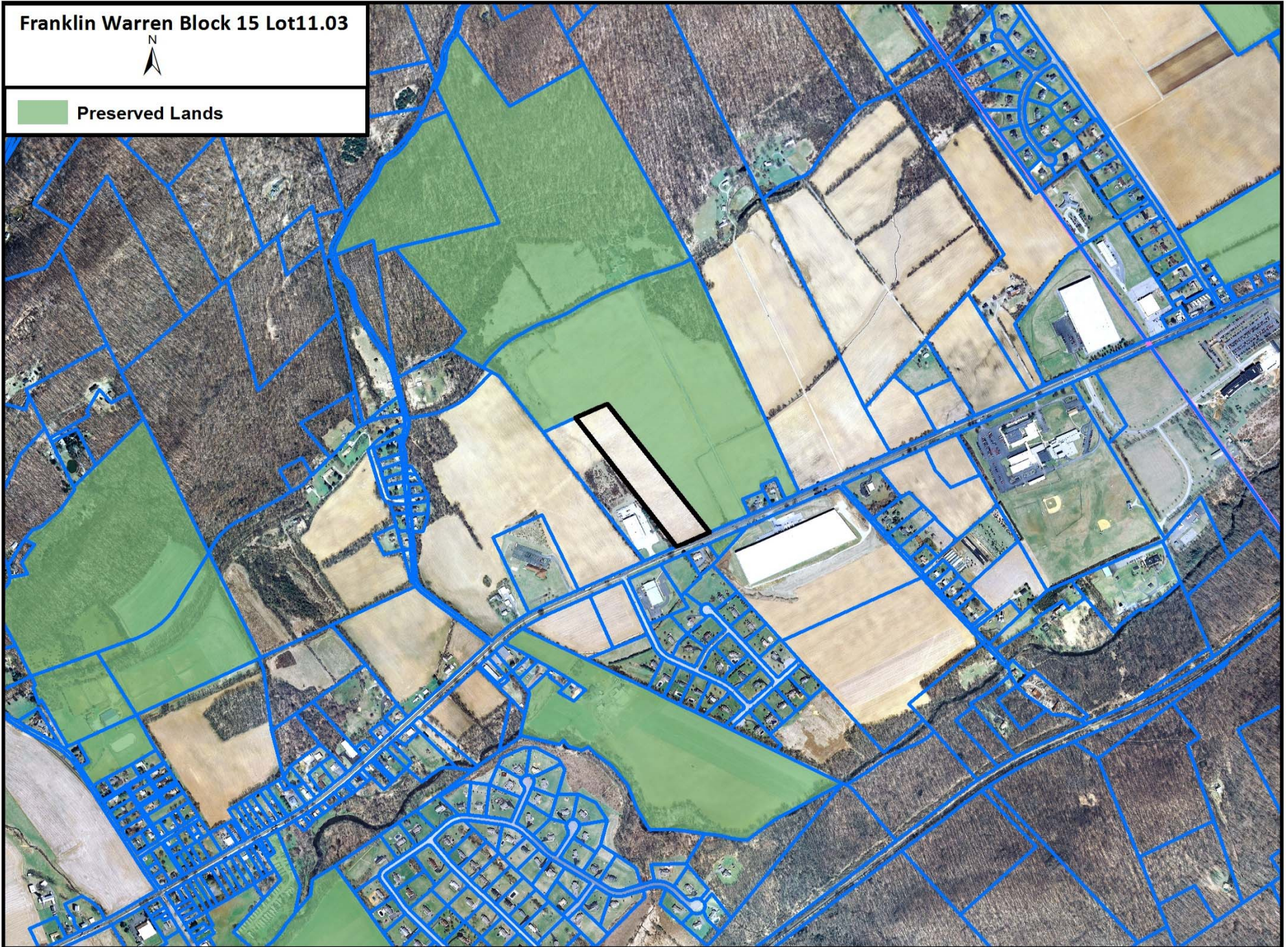
- ❖ 9.69 acres
- ❖ Zoned for commercial use
- ❖ 42 HDCs allocated
- ❖ An agricultural deed of easement will be applied



Franklin Warren Block 15 Lot11.03



 Preserved Lands





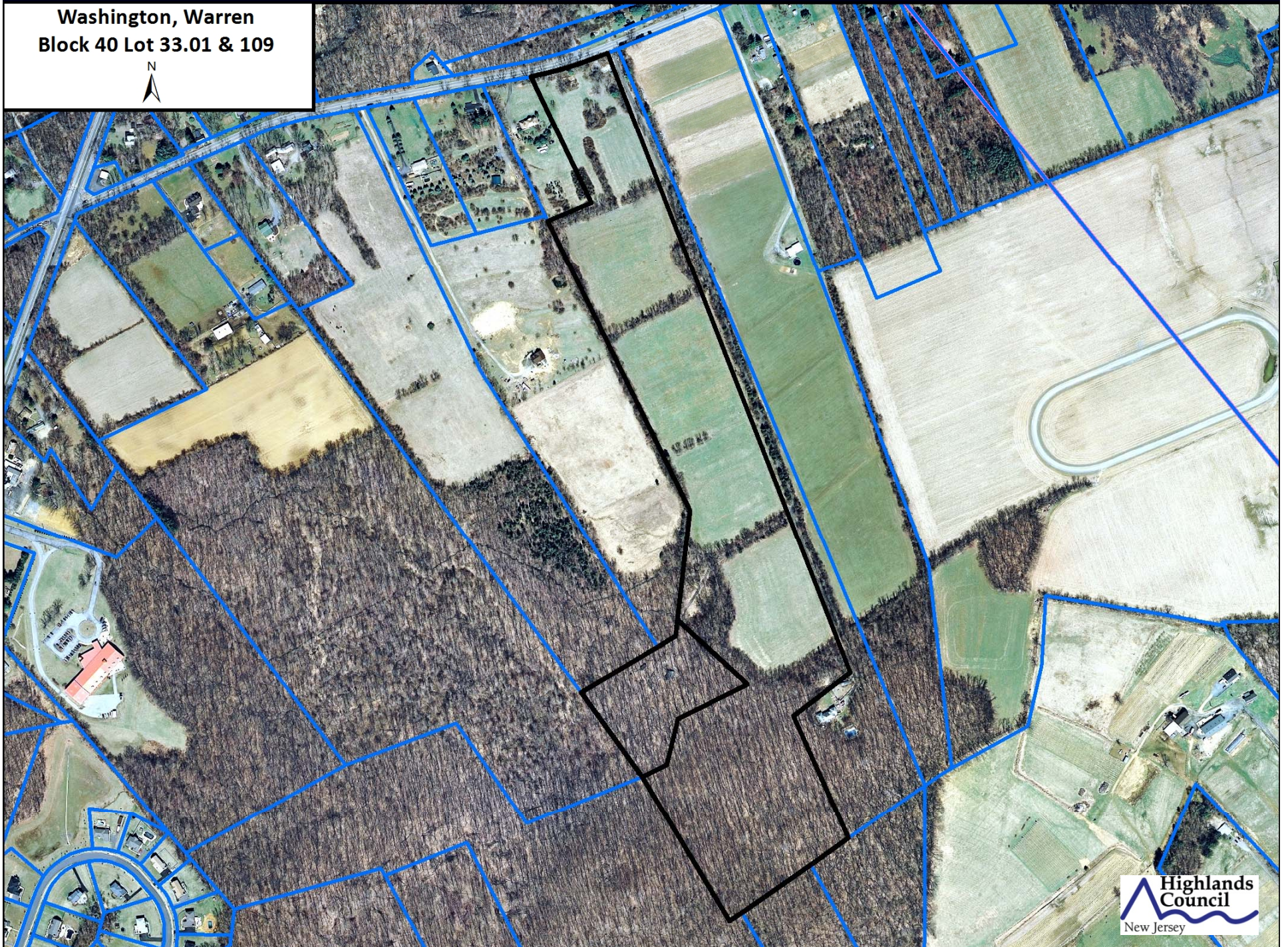
# Property B

## Washington Township (Warren)

- ❑ Property being reconsidered because:
  - The property owner **satisfied extenuating financial circumstances** criteria;
  - The financial hardship was **not self-created**; and
  - TDR provision of the **Highlands Act** (Section 13) **does not restrict eligibility based on ownership prior to passage of the Act.**

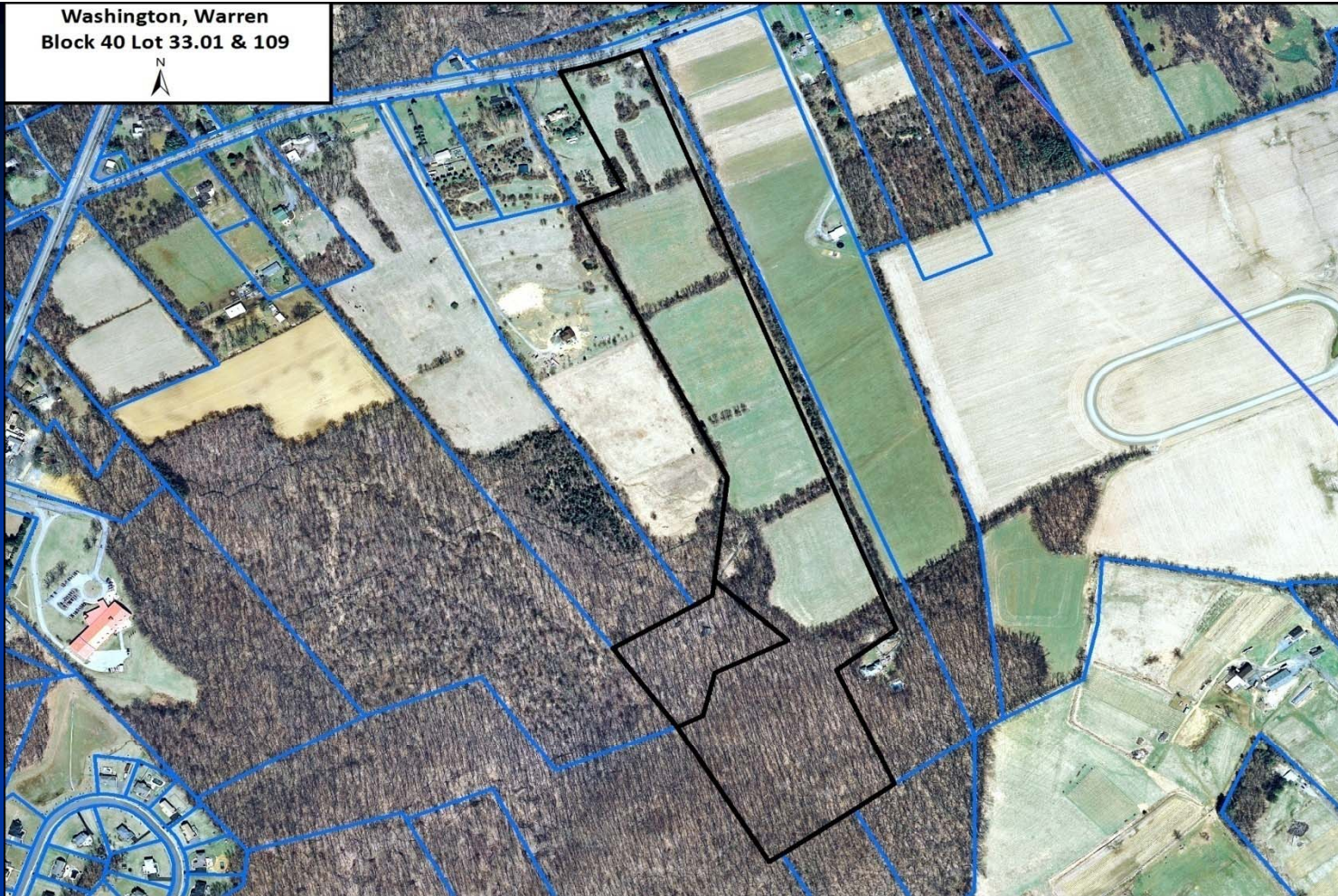


Washington, Warren  
Block 40 Lot 33.01 & 109





Washington, Warren  
Block 40 Lot 33.01 & 109



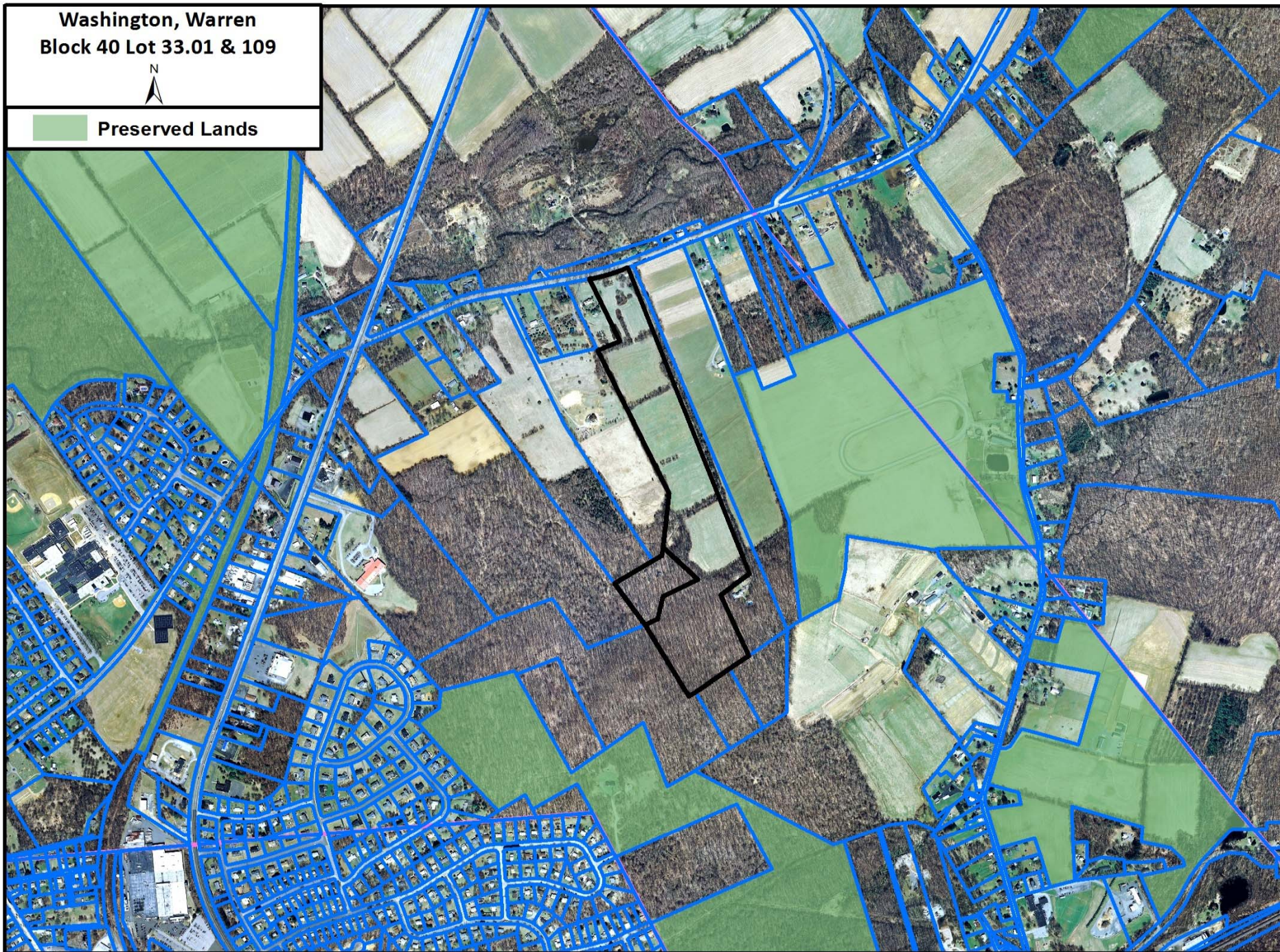
- ❖ 43.75 acres
- ❖ Zoned for residential use
- ❖ 16.75 HDCs allocated
- ❖ An agricultural deed of easement with conservation protection will be applied (woodland management exemption); conservation deed for small parcel



Washington, Warren  
Block 40 Lot 33.01 & 109



 Preserved Lands





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