

**TOWNSHIP COMMITTEE TO INTRODUCE AN ORDINANCE ON OCTOBER 10, 2019
AUTHORIZING A PAYMENT IN LIEU OF TAXES AGREEMENT**

Q: What is the reason why financial agreements known as Payment in Lieu of Taxes are permissible?

A: N.J.S.A. 40A:20-1, the law authorizing Payments in Lieu of Taxes, or 'PILOTs,' is the result of efforts by the State Legislature to consolidate several New Jersey laws which had as their purpose "the restoration of deteriorated or neglected properties to a use resulting in the elimination of the blighted condition."

Q: How long does a PILOT agreement last?

A: PILOTs vary in length. However, a typical PILOT lasts thirty (30) years.

Q: What is the advantage of a PILOT?

A: A PILOT program provides an incentive to a property owner to invest private capital in the development of land, whether for residential, commercial, or other purposes which constitute improvements to blighted conditions. A PILOT program provides an incentive for redeveloping properties that have been stagnant over a long period of time, by doing exactly what its name suggests: permitting the owners of these properties to make payments 'in lieu of' property taxes. PILOT programs are advantageous to property owners, whose payments are lower than regular property tax payments, and are advantageous also to municipalities, which are able to exercise greater control over PILOT revenues than over regular property tax revenues.

Q: Why does any of this matter to Hanover Township

A: In the case of the vacant property located on Eden Lane between Parsippany and South Jefferson Roads, there are plans for the owner of the approximately 88 acres of land, known as River Park, to construct market rate and affordable rental housing units, plus a retail commercial center, as part of the Township's settlement with the Fair Share Housing Center and Superior Court, and, accordingly, there are plans for this owner to enter into a PILOT program with the Township in support of its development of the property.

Q: Who would benefit from the revenue generated by a PILOT program in Hanover Township?

A: In the case of the planned PILOT program for the River Park Development, the Township Committee desires that the revenues received from the PILOT be specifically dedicated to the reduction of municipal taxes and to providing dedicated funds to certain entities according to the below distribution schedule. It should be noted that distribution of revenue under the PILOT program, below, essentially mirrors the distribution of property tax revenue collected in Hanover Township.

- 1. Hanover Township Local School District ----- 37%
(This percentage is mandated by law and a levy set by the County of Morris Board of Taxation)
- 2. Hanover Park Regional School District----- 19%
- 3. Township of Hanover----- 35%
- 4. Hanover Township Fire District No. 2----- 4%
- 5. County of Morris----- 5%

Q: Does the revenue generated by a PILOT program always remain constant or the same?

A: The answer is “NO.” Under a PILOT program, when gross rents on market and affordable rental units increase, there is a corresponding increase in the revenue the Township would receive. Accordingly, pursuant to the planned PILOT program for the River Park Development, each of the entities listed above would benefit from an increase in the gross rents at that Development.

Q: Would anyone be disadvantaged by the planned PILOT program for the River Park Development?

A: We project that, ultimately, the Township, the local schools, and the Fire District will see revenues *at least* equal to those that would result from regular property taxes being assessed to the River Park Development. Moreover, pursuant to the Township’s prospective arrangement with River Park, the developers will be responsible for providing many of the services that are normally provided by the Township, which will result in significant additional cost savings for the Township. It is possible, however, that both the County and the Open Space Preservation Trust will see reduced revenues as a result of the planned PILOT program for the River Park Development.