

REDEVELOPMENT 101

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WHY REDEVELOPMENT

	Rezone	Rehabilitation	Redevelopment
Satisfy Designation Criteria (Area Study)		✓	✓
Redevelopment Plan		✓	✓
Build as of Right	✓		
City Selects Redeveloper		✓	✓
Maximum City Control		✓	✓
Site Assembly Option			✓
Negotiate Community Amenities		✓	✓
Long Term Tax Exemption Option			✓
Short Term Tax Exemption Option		✓	
Active City Role		✓	✓
Passive City Role	✓		

SUMMARY OF REHABILITATION CRITERIA

1. Significant portion of structures are deteriorated and there is a continuing pattern of vacancy, abandonment, or underutilization, with property tax arrearage;

or
2. Greater than ½ of the housing stock is at least 50 years old;

or
3. majority of water and sewer infrastructure is at least 50 years old and in need of repair or substantial maintenance;

and
4. Rehabilitation may be expected to prevent further deterioration and promote overall development of the community.

SUMMARY OF REDEVELOPMENT CRITERIA

- a) Generality of buildings substandard, unsafe or obsolescent – unwholesome living condition.
- b) Discontinuance of use of commercial, manufacturing or industrial buildings.
- c) Publicly owned land – or vacant unimproved for 10 years and it is not likely to be developed by private capital.
- d) Areas with buildings or improvements that are detrimental to safety, health, morals or welfare of community.
- e) Lack of proper utilization caused by title, diverse ownership or other conditions resulting in a stagnant or not fully productive condition potentially useful and valuable to serving the public health, safety and welfare.
- f) Aggregate assessed value of area – 5 acres or more – has materially depreciated due to natural disaster.
- g) Urban Enterprise Zone. (For limited purpose)
- h) Consistent with Smart Growth planning principles adopted pursuant to law or regulation.

REDEVELOPMENT PLAN

- Hybrid – Master Plan & Zoning Ordinance
- Community Involvement Urged
- Mandatory Provisions
 - Affordable Housing Inventory
 - Relationship to other Plans
- Optional Provisions
 - Green Building/Sustainability
 - Redeveloper Selection Process
 - Redeveloper Escrows to Offset City Costs

REDEVELOPMENT AGREEMENT

“Top Ten Provisions”

- Designate Redeveloper
- Project Description
- Project Schedule
- Infrastructure Improvements – Beyond Site
- Community Amenities
- Remediation Responsibility
- Tax Exemption (PILOTS) Option
- Affordable Housing
- Termination
- Default and Remedies

FINANCING OPTIONS UNDER THE REDEVELOPMENT LAW

Prepared by Jong Sook Nee

FINANCING OPTIONS

- Brownfields Reimbursement Program
- Environmental Financing Tools
- Urban Enterprise Zones
- Economic Recovery and Growth Grants
- Tax Exemption Statutes
- Redevelopment Area Bond Financing

ENVIRONMENTAL FINANCING TOOLS

NJ Environmental Infrastructure Trust

Hazardous Discharge Site Remediation Fund

- Pooled loan program (Public Bodies and Conduits)
- Water and Sewer projects, acquisition of open space
- Interest rate: 25% of 50% of market rates

- Environmental due diligence Grants (Public Bodies)
- Remediation Matching Grants (Public Bodies and some Private Entities)
- Remediation Loans (Private Entities)

BROWNFIELD AND CONTAMINATED SITE REMEDIATION ACT

- Any contaminated site under DEP oversight
- Up to 75% reimbursement of remediation costs
- Reimbursement derived from larger scope of taxes (CBT, Gross Income)
- Must generate Tax
- No restriction on end use

URBAN ENTERPRISE ZONES

- Municipal application
- Designated Zone for economic growth
- Sales of construction and building materials are EXEMPT from sales and use tax
- Lower phased-in sales and use taxes on commercial and retail sales
- UEZ receives a portion of sales and use tax revenue
- UEZ can utilize funds to benefit the businesses in the area or attract new business

ECONOMIC RECOVERY AND GROWTH (“ERG”) GRANTS

- NJ Economic Stimulus Act of 2009
- Intended to replace Revenue Allocation Districts
- Recapture of up to 75% of incremental revenues
- “But for” test
- Eligibility Requirements

LONG TERM TAX EXEMPTION AND 5 YEAR EXEMPTION AND ABATEMENT

Long Term Tax Exemption 5 Year Exemption

- Limited dividend entities or condo owners
- Any redevelopment improvements
- “But for” test
- Exemption on improvements (land)
- Annual Service Charge for municipal services, may be staged or negotiated
- 35 year maximum
- Financial Agreement with municipality

- Any landowner
- Certain types of improvements authorized by the municipality
- Exemption on improvements (not land)
- Payment in lieu of taxes permitted
- 5 year maximum
- Municipal Ordinance and tax agreement may be required

REDEVELOPMENT AREA BOND FINANCING ACT

- Issuer: Municipality, NJEDA, or other issuer
- Non-recourse
- Excluded from the Municipality's gross debt
- Secured by Annual Service Charge (Payment in Lieu of Taxes or Special Assessment)
- Financial Agreement between Municipality and Urban Renewal Entity formed by Redeveloper
- Requires Local Finance Board approval
- Pay costs of construction, infrastructure, public improvements and amenities and any other municipal purpose