



State of New Jersey Pinelands Development Credit Bank



ANNUAL REPORT FY 1995-1997

MESSAGE FROM THE CHAIR

The past three years have been relatively stable for the Pinelands Development Credit Program, and have presented exciting opportunities for the Bank.

Private sales activity continued to grow, as forty percent of all private Pinelands Development Credit sales occurred in the past three years. As private sales for Pinelands Development Credits continued to increase through 1995, the Bank analyzed these private sales and moved to increase its purchase price for the first time.

The Bank also had the opportunity to help play a role in providing affordable housing for New Jersey senior citizens. The Board of Directors authorized a no cost transfer of forty-six Development Rights to a non-profit housing corporation which, with the active involvement of Chesilhurst Borough, will use them to construct housing for low income seniors. This is an outstanding example of the way in which two goals, affordable housing and natural resource protection, can be met with creative government action.

Please take the time to read this report and the Bank's new Pinelands Development Credit Guide. Both explain how this truly novel program helps to promote our economy and protect our natural heritage.



Elizabeth Randall
Chair, Pinelands Development Credit Bank
and Commissioner of Banking and Insurance



ORIGINS AND MISSION

The Pinelands Development Credit Bank was created to help implement the Pinelands Development Credit (PDC) program, a component of the Pinelands Comprehensive Management Plan that has governed new development in the Pinelands region since 1981. Understanding the origins and mission of the Bank means first exploring the reason behind the PDC program.

The Pinelands Comprehensive Management Plan established the PDC program to encourage a shift of development away from Pinelands forests and farms to more appropriate areas. It provides a way for property owners, in areas where land uses are restricted, to benefit from increased land values in areas of the Pinelands zoned to allow more residential development.

It does so by creating a vehicle for developers to increase the number of homes they can build in areas designated for growth if they first purchase Pinelands Development Credits. The PDC program encourages residential growth near existing development and employment centers while discouraging growth in fragile ecological areas and important agricultural acreage.

Under the Pinelands Comprehensive Management Plan, all land and water resources within the 927,000 acre State Pinelands Area fall into one of nine basic areas of land use- Preservation District, Special Agricultural Production, Forest, Agricultural Production, Rural Development, Regional Growth, Military and Federal Installation, and Pinelands Villages and Pinelands Towns.

The Pinelands Plan sets limits on the type and amount of development that can take place within each of these areas. Within towns, villages, and growth areas, for example, the Plan permits substantial amounts of new development, including relatively concentrated residential construction. By contrast, the Plan substantially limits the type and amount of development allowed in the Preservation Area District and the two agricultural areas.

The PDC program allocates Pinelands Development Credits to landowners in the growth-restricted Preservation District, Agricultural Production, and Special Agricultural Production Areas. Developers may purchase and then use PDCs in Pinelands Regional Growth Areas to build more homes than zoning ordinances would otherwise permit. Each full credit yields four development rights, each of which allows one additional home to be built. The maximum number of homes which can be built on any given piece of property is set by municipalities through their zoning ordinances.



The Pinelands Development Credit Bank is an independent state agency that the Legislature created in 1985. State leaders created the Bank to help record and track the sale and use of PDCs, encourage private market transactions, and purchase credits in certain cases from Pinelands landowners and resell them to developers.

The Bank is governed by a nine member Board of Directors comprised of the Commissioner of Banking & Insurance as Chairman, the Secretary of Agriculture, the Chairman of the Pinelands Commission, the Attorney General, the Commissioner of Environmental Protection, and four public members from the counties located within the Pinelands. The Bank is staffed by a part-time Executive Director. The State Attorney General provides legal counsel.

The Bank issues PDC Certificates that allows the sale and use of PDCs to be tracked by the Bank, the Pinelands Commission, local planning boards, developers, and landowners. It maintains and provides current data on landowners who wish to sell PDCs and developers who want to purchase them and also helps to bring together potential buyers and sellers so that private sales can be negotiated.

FISCAL YEAR 1995-1997 HIGHLIGHTS

Private Purchases Drop Off and Then Rebound

Compared to Fiscal Year 1994, 1995 was a slow year for private Pinelands Development Credit purchases. However, sales activity rebounded in 1996 and 1997. These two years represent the second and third most active years in the program's history.

No Cost Transfer For Affordable Housing Authorized

The Pinelands Development Credit Bank approved the first no cost transfer of PDCs to help make a housing project for low income senior citizens a reality. The project, to be located in Chesilhurst Borough, is now being considered for federal housing subsidies.

PDC Bank Raises Its Purchase Price

The Bank authorized a 26% increase in the price it will pay for Pinelands Development Credits. After determining the average market price for PDCs at \$3,950.00 per right, the Bank increased its purchase price to \$3,150.00. By law, the Bank's price must be 80% or less of the price PDCs bring on the private market.

Bank's Purchasing Authority Extended

Governor Whitman signed legislation sponsored by Assemblywoman Barbara Wright and Assemblyman Francis Bodine to extend the Bank's authority to buy PDCs and guarantee loans using PDCs as collateral until December 31, 1997. The Bank infrequently purchases PDCs but did so to further the objectives of the Pinelands Protection Act and alleviate property owners hardships on three occasions within the past three years.

THE FISCAL YEAR 1995-1997 PROGRAM

Permanent Land Protection

When PDCs are severed or removed from property, a conservation or agricultural easement is recorded. These easements serve to protect important forested land and farms from incompatible development in the years to come.

In the last three years 4,273 acres were protected as a result of PDC severances. 14,721 acres have been permanently protected through the PDC program to date. Approximately 5,839 acres are located in agricultural areas. Much of the remaining land is located near state parks, forests, and wildlife areas in the heart of Pinelands.

Program Activity

Allocations—The first step in severing PDCs from the land is to obtain a formal allocation from the Pinelands Commission. These allocations state precisely how many rights each property yields. In calendar years 1994-1996, 190 properties received formal allocations of 814 rights.

Severances—During the last three fiscal years, 390 development rights were actually severed from sending properties.



Private Sales/Purchases—During this three year period, 405 rights were sold privately. Although Fiscal Year 1995 sales activity was slower than 1994, sales rebounded in 1996 (154 rights) and 1997 (148 rights) and resulted in the second and third most active years in the program's history.

Projects Proposing PDC Use—Projects using Pinelands Development Credits now total almost 400 and will involve more than 2100 rights. To date, 477 of those rights have been "redeemed" or officially used to secure higher residential densities.

Sales Prices—In 1995 and 1996 the average sales price for 1 right was \$3,950.00. However, during fiscal year 1997, the average sales price of PDCs in the private market has decreased somewhat to approximately \$3,700.00 per right.

PDC Bank Activity

Bank Purchases—The Bank is only authorized to purchase PDCs in very limited circumstances, either to further an objective of the Pinelands Protection Act or to alleviate a property owner's hardship. In this last three year period, three purchases totaling 84 rights were made.

Bank Purchase Price—In 1996, the Bank analyzed fifty-two private PDC purchases, grouping them according to first time sales and resales and the number of rights involved in each transaction. This led to an increase in the Bank's purchase prices from \$2,500.00 to \$3,150.00 per right. This new price represents 80% of the average market price and guarantees that the Bank doesn't undermine the private market.

Bank Transfers—The Bank deliberately limits its entry into the market as a seller of PDCs but may occasionally conduct an auction or transfer PDCs at little or no cost to satisfy a compelling public need. In 1997 the Bank authorized a no cost transfer of 46 rights to B'nai B'rith Housing Inc. to enable it to construct housing for low income senior citizens in Chesilhurst Borough.

Outreach

William Penn Grant—The William Penn Foundation's very generous three year grant of \$144,000.00 came to a close. The grant was instrumental in the Bank's efforts to better educate landowners, builders and developers about the PDC program.

New Jersey Realtors—Presentations on the PDC program and its benefits for landowners and developers have been made at several real estate firms that do business in the Pinelands. The Bank also staffed a booth at the New Jersey Realtors Convention.

Personal Contact—Contacts and meetings are continually held with landowners, builders, developers, municipal officials, and attorneys to describe the program and offer The Bank's assistance for participation.

PDC Guide—The Bank has completed a new "Instructional Guide" for prospective PDC sellers and buyers. The new, easier to understand and user friendly guide replaces two separate booklets that had been used by the Pinelands Commission and the Pinelands Development Credit Bank. In addition to a complete explanation of the PDC program, application forms and deed restrictions are included with easy to use tear out forms.

Please contact The Bank at (609) 984-0569 if you would like a copy of the new guide.

PDC Bank Legislation

In November of 1994, the Bank's ability to purchase Pinelands Development Credits and extend loan guarantees was renewed through December of 1997. Further extensions of the Bank's authority are likely to be considered in the coming year.

Operations

The Bank carried a balance of \$1.5 million into FY '95. This money came from the original appropriation of \$5 million by the 1985 Pinelands Development Credit Bank Act. In addition, the Bank also received a grant from a private foundation in the amount of \$36,000. Disbursements for the purchase of PDCs totaled \$147,000. Salaries, advertising, office supplies, professional services, and operational costs totaled \$110,055.

A balance of \$1.3 million was carried into FY '96. \$35,000.00 was disbursed for PDC purchases and \$68,449 for operations, leaving a balance as of June 30, 1996 just over \$1.2 million.

After returning \$650,000 to the general fund, the Bank carried a balance of \$557,761 into FY '97. Disbursements for PDC purchases totaled \$34,650. Salaries, advertising, office supplies, professional services, and operational costs totaled \$120,500, leaving a balance of \$402,601 as of June 30, 1997.



The Coming Year

The Bank intends to participate in the Pinelands Commission's examination of the Pinelands Development Credit program and explore with the Pinelands Commission opportunities to improve both organizations' data management programs. The Bank may also be asked by the Department of Environmental Protection to help implement a wetlands "General Permit" which allows cranberry growers to expand bogs and use funds from their sale of PDCs for cedar swamp restoration.

PINELANDS DEVELOPMENT CREDIT BANK

ACCOUNT STATUS DETAIL* JUNE 30, 1995

BALANCE CARRIED FORWARD FROM FY 1994	\$1,533,096
EXPENDED/ENCUMBERED (-)	110,555
Purchase of PDCs (-)	147,500
REFUNDED (+)	36,000
BALANCE AS OF 6/30/95	\$1,311,040

*As recorded from N.J.F.I.S. account detail status report.

ACCOUNT STATUS DETAIL JUNE 30, 1996

BALANCE CARRIED FORWARD FROM FY 1995	\$1,311,040
EXPENDED/ENCUMBERED (-)	68,449
Purchases of PDCS (-)	35,000
BALANCE AS OF 6/30/96	\$1,207,591
RETURNED TO GENERAL TREASURY \$649,830	

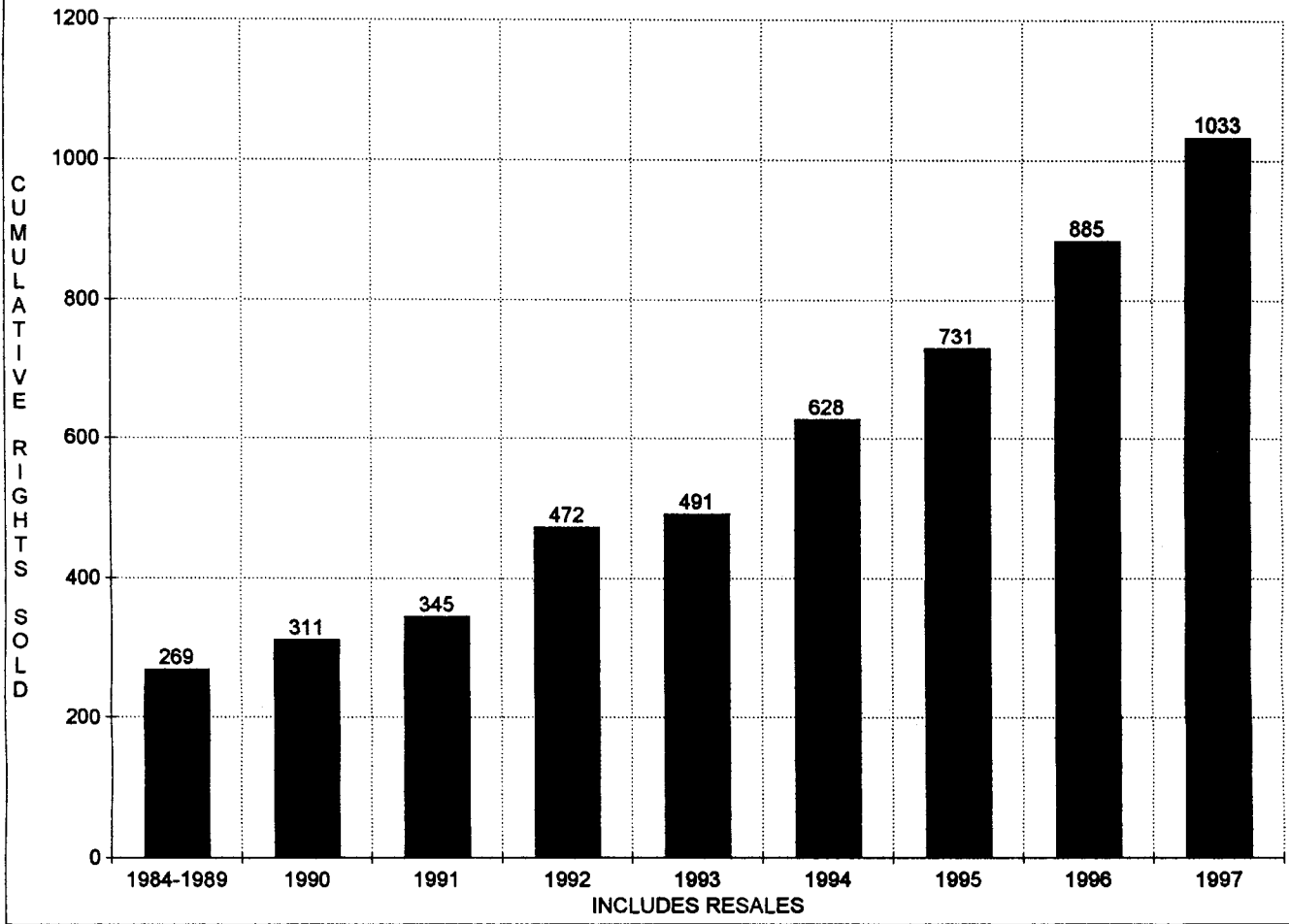
—AS OF JUNE 30, 1996

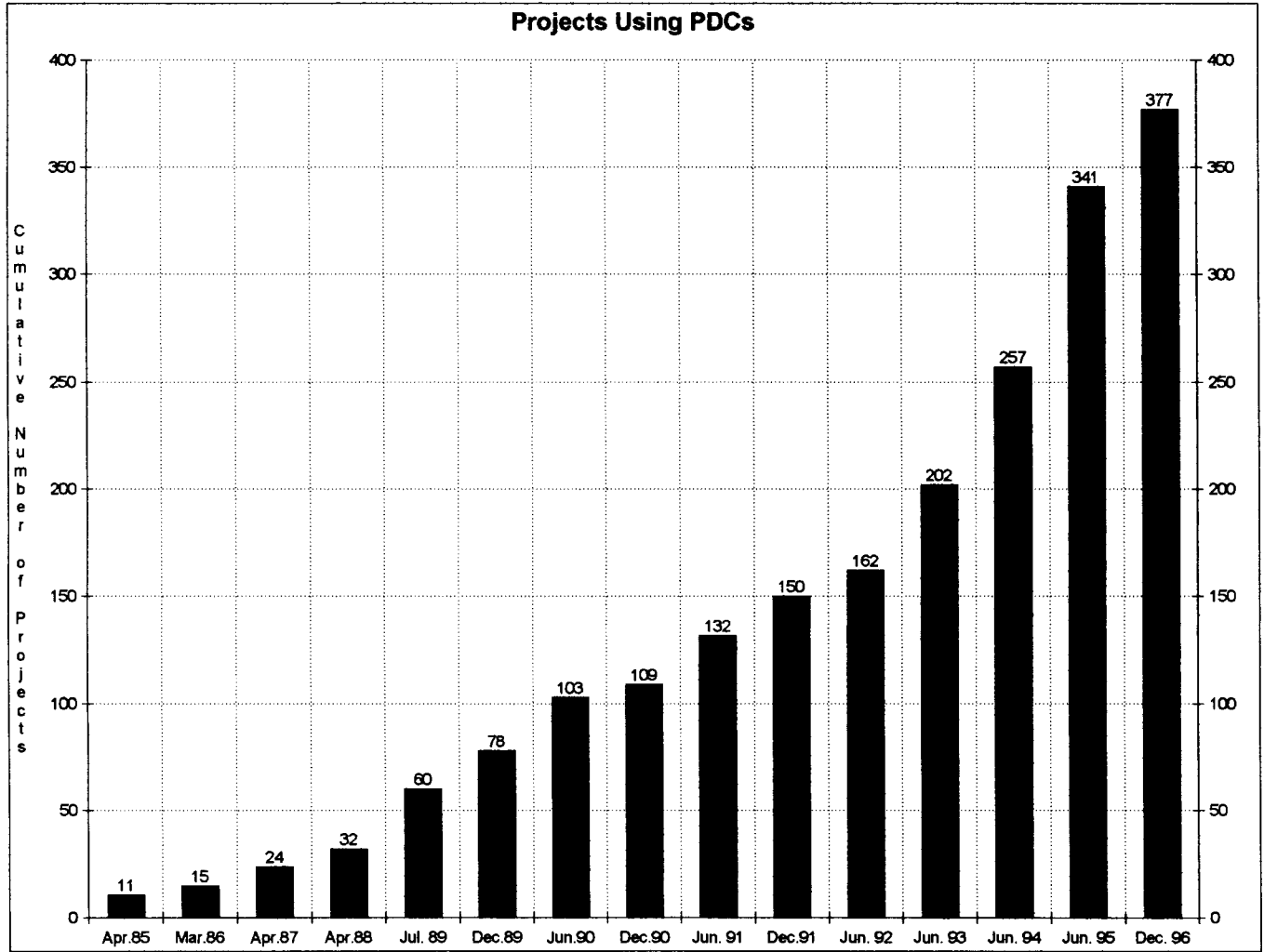
ACCOUNT STATUS DETAIL JUNE 30, 1997

BALANCE CARRIED FORWARD FROM FY 1996	557,761
EXPENDED/ENCUMBERED (-)	120,510
Purchases of PDCS (-)	34,650
BALANCE AS OF 6/30/97	\$402,601

RIGHTS PURCHASED BY DEVELOPERS

Fiscal Years 1984-1997





**STATE OF NEW JERSEY
PINELANDS DEVELOPMENT CREDIT BANK**

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Elizabeth Randall

Commissioner of Banking and Insurance

John Traier

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Chairman, NJ Pinelands Commission

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Special Assistant to the Attorney General
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James F. Hall
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