

**New Jersey Highlands Council  
Economic Development and Smart Growth Committee  
Of November 28, 2005**

Chair Report

On November 28, 2005, the Economic Development and Smart Growth Committee held a meeting at the New Jersey Highlands Council office in Chester, New Jersey. Notice of the meeting was provided to the public on the Highlands Council's web site. Council and staff members present at the meeting included: Chairman Ben Spinelli, Jack Schrier, Lois Cuccinello, Tim Dillingham, and Glen Vetrano. Highlands staff included Adam Zellner, Dante Di Pirro, Steve Balzano, Ross MacDonald, Christine Danis, and Jeff LeJava. The meeting was open to the public.

**I. Update on build out analysis for the regional master plan:**

Committee Chairman Ben Spinelli asked Christine Danis to give an overview of the build out model which will serve as a technical report analysis in support of the Smart Growth Regional Master Plan component. Ms. Danis provided an overview:

- The technical report under development will address several smart growth issues, including regional build out scenarios and development strategies based on protection of critical watersheds, agricultural and other lands identified through the resource assessment as having a critical resource value in concert with development and redevelopment areas that can support growth without adverse impacts to Highlands Resources.
- The build out model is a GIS based evaluation of land use, constrained lands and developed and undeveloped lands for the 88 municipal Highlands Region. The build out analysis will be performed using the Community Viz Scenario 360 software developed by the Orten Foundation. The Community Viz Scenario 360 software is an extension of ArcGIS and is being used nationally by both public and private entities to evaluate land use and planning implications for community, county and regional planning areas.
- The Highlands Council is working with The National Center for Neighborhoods and Brownfields Redevelopment (NCNBR), Bloustein Planning School, Rutgers University and staff is recommending that the Highlands Council approve a contract to perform the build out analysis at the December 1, 2005 meeting. NCNBR has extensive experience with Community Viz and has used this build out analysis in Somerset County and for the State Plan Impact Assessment for Office of Smart Growth.
- The build out analysis is being developed to produce at least three scenarios.
  1. The build out of the Highlands region based on existing zoning or the "Trend Scenario".

2. The build out of the Highlands based on the State Plan Planning Areas or the "Plan Scenario".
  3. The build out of the Highlands based on the Land Use Capability Map or the "Highlands Scenario."
- The results of the build out analysis will determine the population, household, employment, schoolchildren, water consumption, wastewater generation, vehicle trips generated, and impervious cover. This data will be reported for each individual zone within the 88 municipalities. The build out density will be based upon the existing dwelling units per acre and floor area ratio for each municipal zone (based on local ordinances as of October 2005).
  - The build out model information will provide the household and employment data for the Fiscal Impact Analysis.
  - The build out model will be informed by the data being developed by USGS, NJDEP, NJGS, CRSSA and the Highlands Council.

Ben Spinelli asked how the densities for accurate build out can be determined without knowing some specific criteria and land use applications that will be addressed in the Regional Master Plan. Chris Danis said that the zoning used in the build out model will look at the existing zoning data which has been obtained from all 88 Highlands municipalities. She noted that the State plan does not mandate density, and that densities will be correlated to existing residential zoning. Although zoning may be the same in plan and trend, the scenario may change as implementing density to planning. Ms. Danis said that the build out will be based on a zoning level, and that in the future would be done on a parcel scale level. The information from the model will be used for many years to come and will have many layers of useful data.

Tim Dillingham asked what is the value of running the State plan. Adam Zellner said the Highlands want to coordinate with COAH because the rules are tied and affect the State Plan. Ben Spinelli noted that the value of the Highlands plan will be superior and the State plan alone is not enough to determine where growth is possible. Steve Balzano advised the build out analysis is zoning based and the State plan is not. Existing regulatory constraints on the land will remain and that the new data sets will be more up to date therefore, the comparisons between our data and the plan are going to be very accurate.

A member of the public asked how the Highlands would address inaccuracies in the State plan where it designates areas for planning but then those areas are determined not appropriate for growth. Adam Zellner said the preservation area in the Highlands overrides the state plan. In the planning areas where Highlands is working with the State plan, an MOA is being drafted so that the State plan will endorse the Highlands plan. Counties ultimately have the power to do cross-acceptance. He added it is true that there may be places where planning areas may not work according to the State plan but municipalities can opt-in to the Highlands plan and then receive all the benefits and by

proxy make changes in its designation. Adam Zellner said the first draft of the State plan was based on 21 draft cross-acceptance reports from each county and that maybe not every county provided enough information.

Ben Spinelli noted the Highlands is reviewing the State plan for comparison purposes.

## **II. Update on TDR for the regional master plan:**

Dante Di Pirro introduced Jeff LeJava to go over the requirements in the Act for TDR as well as identify next steps.

Mr. LeJava provided an analysis of the following written information and explained that the Council has to meet the objectives outlined:

### **A. HIGHLANDS ACT TDR PROGRAM REQUIREMENTS, N.J.S.A. 13:20-13**

1. The Highlands Council shall use the RMP elements, including the resource assessment and smart growth component, to establish a TDR program and sending and receiving areas.
2. Must be consistent with the State Transfer of Developments Rights Act, N.J.S.A. 40:55D-137, or any applicable TDR program created otherwise by law. See N.J.S.A. 13:20-13.a
3. Within 18 months of the enactment of the Highlands Act (Feb. 2006), and from time to time thereafter as appropriate, the Highlands Council must identify areas within the preservation area that are appropriate as sending zones pursuant to State TDR statute. See N.J.S.A. 13:20-13.b. These areas will be criteria-based prior to plan adoption.
4. Within 18 months of the enactment of the Highlands Act (Feb. 2006), and from time to time thereafter as appropriate, Highlands Council must identify areas within the planning area that are appropriate for development as voluntary receiving zones pursuant to State TDR statute considering the information gathered pursuant to sections 11 and 12 of the Highlands Act. See N.J.S.A. 13:20-13.c. These areas will be criteria-based prior to plan adoption.
5. The Highlands Council must establish a goal of 4% of land within planning area as voluntary receiving zones to the extent that the goal is compatible with the amount and type of human development and activity, and that would not compromise the integrity of the planning area ecosystem. See N.J.S.A. 13:20-13.c. These voluntary receiving areas will be coterminous with the regional growth areas designated by the Regional Master Plan.
6. The Highlands Council must perform a real estate analysis of the Highlands Region. See N.J.S.A. 13:20-13.g

7. The Highlands Council must set the initial value of a development right, and the value must consider the DEP's regulations in effect the day before enactment of the Highlands Act. See N.J.S.A. 13:20-13.h(1)
8. Green Acres and SADC shall provide support and technical assistance to Highlands Council in operation of the TDR program. See N.J.S.A. 13:20-13.h(1)
9. The Highlands Council must give priority consideration for inclusion in TDR program any lands that comprise a "major Highlands development" that would have qualified for an exemption but for the lack of a necessary state permit, and for which an application for such permit had been submitted and deemed complete by DEP on or before March 29, 2004. See N.J.S.A. 13:20-13.h(2). We are initiating a tracking program through county grants as well as working with DEP.
10. Highlands Council may requests Dep't Banking & Insurance, State TDR Bank, SADC, and Pinelands Development Credit Bank shall provide technical assistance to HC in establishing a TDR bank. See N.J.S.A. 13:20-13.i(2)
11. Any municipality in Planning Area whose municipal master plan and development regulations have been approved by the Council to be in conformance with the RMP, and amends its development regulations to accommodate TDR receiving zones with a minimum of 5 dwelling units per acre, is eligible for an enhanced planning grant up to \$250,000, a grant to reimburse the reasonable costs of amending development regulations, and authorized to impose up to a \$15,000 per unit impact fee; entitled to legal representation by the Council, among other incentives. See N.J.S.A. 13:20-13.k
12. Any municipality located outside of the Highlands Region in any county that has a municipality in the Highlands Region that has received plan endorsement by the State Planning Commission, that establishes a TDR receiving zone with a minimum residential density of 5 dwelling units per acre, and that accepts development transfer shall, for those receiving zones, be eligible for the same grants, authority, and other assistance, incentives, and benefits as provided to municipalities in the Planning Area except for legal representation and priority status in the Highlands Region for any State capital or infrastructure programs. See N.J.S.A. 13:20-13.l

## B. NEXT STEPS

1. Market Valuation – the Highlands Council is developing a market valuation program that will seek to answer four essential questions:
  - a. How do you compensate property owners for the lost development potential of their property?
  - b. How do you allocate credits or value for that lost development potential?

c. Where may those credits be used? i.e. what areas are appropriate to serve as TDR receiving areas?

d. How much do you charge for use of those credits?

Steve Balzano said the Council must identify areas appropriate to receive growth and then a density threshold must be established for each receiving area. He said brownfield sites may be redeveloped and designated as mixed use facilities and receive credits. Adam Zellner noted that the land use capability map must first demonstrate that the area supports redevelopment. Ben Spinelli said that the selling point will be the financial benefits that go with the Highlands plan. If a municipality can have some control over what development will look like when it is complete, they will be more willing to opt in to the plan. The need for willing receiving areas is crucial. Steve Balzano noted that TDR receiving takes place after Highlands Regional Master Plan adoption, therefore it is hard to predict where receiving will actually take place.

It will be very important to come up with a fair method of determining the value of development credits that accounts for the differences in land values, not only between different portions of the Highlands, but between the sending and receiving areas. Additionally, the anticipated scope and magnitude of the TDR program was discussed. Although at this point it is only speculative, the projected demand for the program and the amount of potential sending and receiving areas should produce enough activity that the Highlands TDR's will not only provide an avenue for compensation for land owners that do not fit within the parameters of existing preservation programs, but should also provide a supplemental conservation method for the existing farmland preservation and Green Acres programs. There should be a significant difference between the experience with TDR's in the Pinelands and our Highlands program because of the amount of economic potential and activity in the Highlands which is in stark contrast to the Pinelands region. It is highly unlikely that we will need to set a floor on development credit value or need to jump start the market. Getting a user friendly, fair, workable program in place as quickly as possible is essential.

### **III. Update on financial component of the regional master plan:**

Next Ross MacDonald provided an overview and abstract for review of the financial component. He said that the Highlands Act was very general in outlining the financial component only adding language regarding a cash flow timetable. This component will set baseline and will show for all 88 municipalities what has happened to their ratables and this community profile will be integrated with GIS mapping etc.

Ross MacDonald said that build out and fiscal impact analysis will possibly reveal the numbers are close to what the town wanted.

He provided an analysis of the following written information to the Committee and public for review.

The Highlands Water Protection and Planning Act (ACT) has created a new region within New Jersey, requiring an economic profile, with its own analysis and monitoring. This report aims to create a baseline of economic data and analysis for the region and determine the true costs of implementing the regional master plan (RMP) for municipalities within the Highlands.

First, we will provide demographic and economic data that will present a picture of the current climate and profile for the long term economic monitoring program. Next we will outline a cash flow timetable, detailing the costs of implementing the RMP. The third element will examine several build out scenarios using an analysis model currently being used throughout the state<sup>1</sup>. This, along with the fiscal impact analysis associated with these build out numbers, will inform the macroeconomic trends we can expect under these new proposed regulations. We will then examine recent trends in municipal tax rates and their relationship to changes in the ratable base. This analysis will attempt to identify variables and conditions that are not always used in the traditional cost benefit calculations of new development. The fifth element of this report will be an analysis of the economic benefits of open space preservation. This particular issue is especially important to this region as land preservation and natural resource protection are main goals of this RMP. And finally, there will be a series of “next steps” pertaining to sustainable economic development and assistance.

The Act specifically charges the Council with developing “a financial component; together with a cash flow timetable which:

- a) details the (potential) 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”<sup>2</sup>

### **1. Highlands Region Economic Profile**

This first element will obviously inform the subsequent portions of this report. Using the Pinelands Long-Term Economic Monitoring Program<sup>3</sup> as a guide, and through our data collection efforts and the creation of a new management information system, the

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<sup>1</sup> Edward J. Bloustein School of Planning and Public Policy, Rutgers University. Impact Assessment Study and Infrastructure Needs Assessment for the 2005 Draft Final New Jersey State Development and Redevelopment Plan. Burchell, Robert W, Ph.D., Mayer, Henry J., Ph.D. p. 38 October 2004

<sup>2</sup> NJSA 13:20-11 (2a-b)

<sup>3</sup> New Jersey Pinelands Commission Long-term Economic Monitoring Program, August 2004

Council is in a position to proactively track economic and demographic indicators within the Highlands. This will allow the Council to continually evaluate and assess the economic conditions and provide each municipality with data and information for their own municipal management policies. A “Community Profile” is being created for all 88 municipalities where GIS mapping (integrated with parcel data), planning and economic data is stored. The attachment below is an example of this database:

## **2. Cash Flow Timetable**

This element will determine the costs for an individual municipality to implement the RMP as well as the streams of revenue to offset these costs. This report will provide a narrative pertaining to the tangible and intangible costs of this regional plan.

## **3. Buildout and Fiscal Impact Analysis**

The Highlands Council has agreed to work with Rutgers University to determine the potential build out and fiscal impact of the effects of the Highlands Regional Master Plan for those municipalities within the region. This will require two separate elements; with the fiscal impact analysis (FIA) incorporating the data created by the buildout analysis. Both reports will create models to gauge the overall effects of different land use scenarios within the Highlands municipalities. Four iterations will be considered:

- a. *Trend Baseline:*
- b. *Plan Baseline:*
- c. *Land Capacity Baseline:*
- d. *Growth Capacity Baseline:*

## **4. Analysis of Property Tax-Rate Trends in the Highlands**

The purpose of this report is to analyze different possible trends and correlations in property tax burdens within the 88 Highlands municipalities. This analysis will determine if burdens are rising, declining or remaining relatively constant and for what reasons. In addition, the paper will describe the components of the property tax and the factors that influence changes in property tax burdens. Data from 1990-2004 based on population, municipal finances, demographics and zoning will be examined.

## **5. Economic Benefits of Land Preservation and Open Space Preservation**

This report will review several approaches for measuring and expressing the economic value of open space. Included in this report will be fiscal impact studies, market and enhancement value, production value, the revenue generated by open space activities, and various intangible values. While many of these values are not quantitative, a comprehensive consideration of the multiple values of open space will better inform community decisions about land preservation and development.

## **6. Sustainable Economic Development Programs and Assistance**

The previous elements outlined in this report have been studies and analysis of data with limited opportunity to effectively assist in the overall economic health of the region. This final element looks to the specific deliverables this department can create or foster to facilitate appropriate economic growth in the region. The Highlands Council can support the development process with both municipalities and private companies through

programs and policies and procedures. The following is a list of services or products this department plans to implement:

Each item of the handout was explained by Mr. MacDonald. Mr. Spinelli noted that sound planning is the key and that economics are the main concern. Mr. Bill O'Hearn echoed Mr. Spinelli's thoughts on economics and stated that if the Highlands can make cogent arguments that the planning will work, he would support the plan wholeheartedly.

The meeting ended at 4 pm.