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**JIM RILEE**  
*Chairman*

### MEMORANDUM

**To:** HDC Bank Committee

**From:** Margaret Nordstrom, Acting Executive Director

**Subject:** Committee Meeting Minutes – May 29, 2014

**Date:** June 5, 2014

A Highlands Development Credit (HDC) Bank Committee meeting was held on Thursday, May 29, 2014 at the Highlands office in Chester. Committee Members present: Committee Chair Walton, Council Chairman Rilee (via phone), Member Dressler (via phone), Member Francis, and Member Visioli.

Staff Members present: Margaret Nordstrom, Andy Davis, Chris Danis, James Humphries, and Annette Tagliareni.

Also present: Peter Simon, Assistant Counsel, Governor's Authorities Unit (via phone).

Committee Chair Walton opened the meeting at 11:32am and presented to the committee members the proposed mission statement and what the HDC Bank Committee is charged with:

#### HDC Bank Committee Proposed Mission Statement:

- Serving as liaison between Highlands Council and Highlands Development Credit Bank
- Reviewing relationship between Council and Bank and making recommendations to Council with respect to any changes in Bank's authority, operations, management, and the like.
- Reviewing and recommending criteria for the distribution and award of funds that may arise out of:
  - TDR Grant Program (\$250,000 level grants)
  - Mitigation Funds (i.e. PSEG and other mitigation/compensation requirements)

Committee Chair Walton discussed the Bank's need for discernible criteria that can be used to make awards. Ms. Nordstrom added that Council staff plans to work with other agencies to assist with the development of criteria for long term. Committee Chair Walton suggested that staff start with the county programs. Chief Counsel Davis noted that as discussed with the DAG's office, the criteria decision should be based on land use factors and not on who owns the land. Member Dressler asked about the application process. Council staff will provide a draft of the application process at the committee's next scheduled meeting.

Member Dressler asked if the committee has other sources besides the PSE&G mitigation funds. Ms. Nordstrom responded that Council staff is looking to partner with others for the funding which will bring more options to the table regarding the criteria to establish for the Bank. Committee Chair Walton suggested a focus on environmental concerns and landowner compensation. Committee Chair Walton asked Council staff to contact six northern NJ counties, in particular, to review existing county open space programs and criteria used in those programs.

There was continued discussion regarding the criteria. Council staff will provide some examples for the committee to review at the next scheduled meeting to assist in developing criteria.

#### Receiving Area Implementation:

Ms. Nordstrom noted that Passaic and Vernon are moving forward and accordingly, the Council should consider adopting criteria for allocation of funding for such grants. Mr. Humphries added that procedures would be approved by the Council establishing the process for the designation of these HDC Receiving Areas in municipalities statewide. Council staff will provide guidelines to the committee at the next scheduled meeting.

#### Sending Area Market:

Regarding the Sending Area Market, Mr. Humphries reported that a mechanism with parameters needs to be established. The total potential supply estimated from the Preservation Area is significantly greater than the demand that initial receiving areas will be able to generate. To create a viable market for both the sender and receiver in the HDC process the staff will seek the assistance of professional consultants, as was authorized by the Highlands Council at a recent Council meeting.

#### HDC Allocation Expiration Dates:

Mr. Humphries reported that the standard practice has been to issue HDC Allocations with a 3 year expiration date. There is no requirement for this expiration date in either the Highlands Act or the RMP. As there is a secondary review step at the time of application for Credits, there appears to be no need for this expiration date. It was recommended by the staff that in the future, any allocations issued be done so without an expiration date. Instead of an expiration date, it was recommended that conditions under which the allocations were issued be subject to confirmation at time of application for Credits.

Committee Chair Walton asked committee members if they had any objections to this new process. There were no objections.

### Valley Road Closing:

Committee Chair Walton gave an overview of the Bank's approval of the Valley Road application. Chief Counsel Davis reported that based upon information that the Council staff learned in preparation for a previously authorized closing of credits on this property, the closing was cancelled. Title issues exist with respect to this property. Next steps are being internally considered, and the Bank board will be briefed on legal issues at the next Bank meeting scheduled on June 23, 2014.

### Land Owner Compensation and Land Preservation

Ms. Nordstrom gave an overview of how the PSE&G funds could be used in accordance with the agreement between the Highlands Council and PSE&G to address land owner equity, stewardship of preserved lands and the promotion of tourism and protection of scenic resources. Ms. Nordstrom added that establishing an open space matching fund and funding for TDRs gives Council and Bank board the greatest amount of flexibility for future funding.

Member Francis asked if staff can prepare a flow chart/table showing the different funding mechanisms, and Ms. Nordstrom agreed that such a chart can be prepared.

Committee Chair Walton asked if partners in municipalities and counties that are not conforming to the RMP will be excluded from the receipt of such funds. Ms. Nordstrom responded that under the PSE&G agreement, conformity with the RMP is not explicitly addressed, but that these funds may be a mechanism to assist them in the conformance process if they haven't already done so.

### Meeting Schedule

The committee decided to schedule future meetings on the 4<sup>th</sup> Thursday of the month at 3:00pm. The next meeting is scheduled on June 26, 2014.

*The HDC Bank Committee adjourned at 12:24pm.*