



State of New Jersey Pinelands Development Credit Bank



John W.H. Glasser, MD

ANNUAL REPORT FY 1998-2000

MESSAGE FROM THE CHAIR

The Pinelands Development Credit Bank is proud to have played a critical role in the growth of the Pinelands Development Credit Program during the past three years. Our small staff works hard to help landowners and developers benefit from this unique transferable development rights program. We are now seeing the fruits of their labors.

Participation rates are at an all time high. More developers are proposing to use Pinelands Development Credits to increase building densities. In fact, the number of rights proposed for use has increased by 30 percent in the last three years alone. Sales of rights are increasing at a much faster pace; three times as many rights were sold privately in 1999 than in 1996. Prices, too, are increasing, more than double within the past year; good news for Pinelands landowners.

As a result, more than 21,000 acres of important forested and farm land are now permanently protected, at little cost to the government. In fact, the Bank sold 191 rights at auction in 1999, and stands to receive \$1.4 million in purchase payments.

I am pleased that the Pinelands Development Credit Bank plays such an important role in this truly innovative program. Please take the time to read this brief report, and contact our staff for more information.



A handwritten signature in green ink that reads "Karen L. Suter". The signature is fluid and cursive, with a long horizontal stroke at the end.

Karen L. Suter
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 (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 normally 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.



Sue Samuelson, Norma M. Campbell, NJ Department of Agriculture

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.

The Bank is governed by a nine member Board of Directors, comprised of the Commissioner of Banking and 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 allow 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.

MARKET ACTIVITY SURPASSES EXPECTATIONS

By all accounts, the Pinelands Development Credit Program reached new highs during the last three years. The number of private purchases has more than doubled, more rights are being proposed in development projects, and sales prices have more than doubled in a year. Details follow:

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 1997-1999, 162 properties received formal allocations of 518 rights, and during the first six months of year 2000, more than 100 property owners have applied for allocations.

Severances—

During the last three fiscal years, 902 development rights were actually severed from sending properties.

Private Sales/Purchases—

A new one year record was set in fiscal year 1998 when 198 rights were sold on the private market. However, that record was smashed in 1999, when private sales activity more than doubled to 475 rights. This record setting pace continued this year with 290 rights sold privately, and 191 rights purchased at the Bank's auction.

Projects Proposing Pinelands Development Credit Use—

New development projects continue to propose the use of Pinelands Development Credits to increase development densities in Regional Growth Areas. In the last three years, the number of rights proposed to be used by developers has increased by 30 percent, and now totals more than 2,750 rights.

Pinelands Development Credit Bank Auction—

Because developers were having difficulty buying rights in the private market, the Pinelands Development Credit Bank agreed to auction up to 200 rights in November, 1999. Twelve bidders submitted sealed written bids for a total of 385 rights. The high bid of \$7,236.00 for each of 40 rights was awarded the bid, and four other bidders, seeking to purchase 151 rights, elected to match that bid. All but 50 of the rights have now been sold. Two buyers are paying the Bank a 10-1/2 percent per year deferral payment, with the expectation of consummating their purchases this coming year.

Sales Prices —

Prices per right continued to decline in fiscal years 1998 and 1999, when the most common price was \$3,500.00 per right, and a few prices were as low as \$3,150.00 per right. The prices started to rebound in the summer of 1999; several rights sold for \$6,000.00 apiece. The auction price of \$7,236.00 per right has since been surpassed by private sales prices of up to \$8,000.00 in recent months.

MORE THAN 21,000 ACRES OF LAND ARE NOW PERMANENTLY PROTECTED

When Pinelands Development Credits 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.

21,689.35 acres of land have now been permanently protected because of the Pinelands Development Credit Program, at very little governmental cost. This is 47 percent above what had been protected three years ago. More than 9,200 of these protected acres are located in Pinelands farming and cranberry growing areas. Most of the remaining land is located next to or near State parks, forests, and wildlife areas in the heart of the Pinelands.



Norma M. Campbell

NEW GOVERNMENT PROGRAMS TARGET PINELANDS DEVELOPMENT CREDITS

Early in 2000, the Pinelands Development Credit Bank approved an agreement with the Department of Environmental Protection and the Pinelands Commission to help ensure the restoration of Atlantic White Cedars in the Pinelands. This agreement stems from the Department's approval of what is referred to as a "General Permit" that allows cranberry farmers to expand their growing operations into freshwater wetlands, if they contribute Pinelands Development Credits to the Department. The Department will then sell Pinelands Development Credits to the Bank, and use the proceeds to finance its cedar restoration initiatives. The Bank is free to resell the Pinelands Development Credits under its regular operating procedures. As yet, no Pinelands Development Credits have been bought by the Bank.

The Bank also joined with the Pinelands Commission to put into place a Special Pinelands Development Credit Purchase Program, financed by a \$3 million state appropriation in fiscal year 2000. The program authorized the Bank to purchase up to 100 rights from any single property owner at a price determined by formula, currently set at \$5,562.50 per right. Once purchased, these rights are extinguished and cannot be resold for use in development projects. Although the current purchase price is quite a bit lower than market rates, several property owners are taking advantage of the program because transactions are quick and easy to complete. In June, the first purchases of 26.50 PDCs were completed.

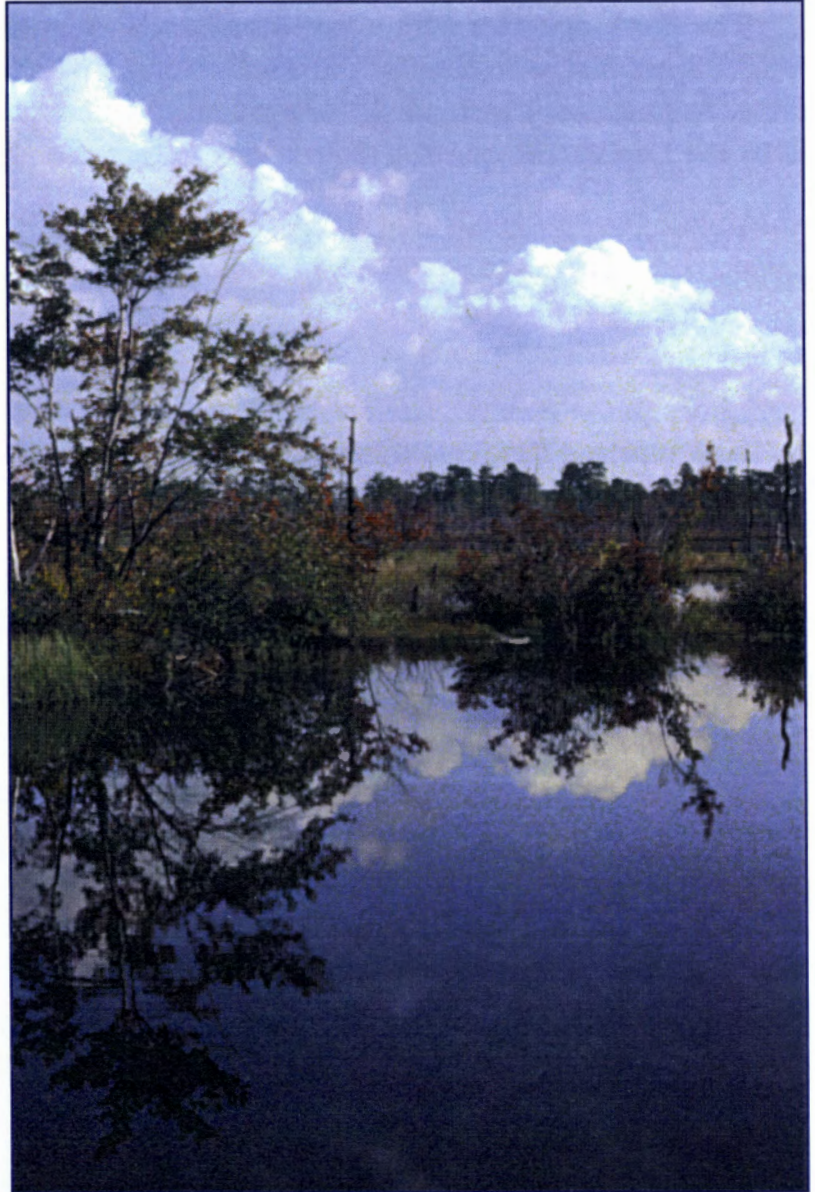
An additional \$20 million was appropriated in the state's fiscal year 2001 budget for this program. Once the volatility in the private Pinelands Development Credit market is stabilized, the Bank and the Commission may re-evaluate the purchase price.

OUTREACH EFFORTS PAY DIVIDENDS

The Bank continued the outreach efforts first made possible through a very generous grant from the William Penn Foundation. A part time Specialist works with the Bank's Executive Director to help landowners, developers, and municipal officials understand and benefit from the Pinelands Development Credit Program. The Bank also has prepared and distributed a Pinelands Development Credit Program Guide, an easy to understand instructional guide that explains each step of the program, guides people through the paperwork process. Bank staff also maintain a Buyers and Sellers list, an invaluable tool that helps bring people who are interested in either buying or selling rights together, to negotiate a private sale.

Bank representatives are also in constant contact with landowners, builders, developers, municipal officials, and attorneys, to help answer their questions and facilitate their participation in the program.

Earlier this year, for example, the Bank wrote to more than 2,000 property owners in the Preservation and Agricultural areas to update them on the program. More than a hundred property owners have already contacted the Bank and the Pinelands Commission to explore the possibility of selling their rights.



John W.H. Glasser, MD

BANK OPERATIONS

The Bank operates with a very small staff—a part-time Executive Director, a part-time Project Specialist, who handles outreach efforts, and a full-time Secretary. In 1997, the Bank's ability to purchase Pinelands Development Credits and provide loan guarantees was extended by the Legislature and the Governor to December 31, 2005.

The Bank entered fiscal year 1998 with a balance of \$402,601.00 . Disbursements over the three succeeding fiscal years totaled \$154,764.00. These are further detailed in the accompanying tables.

Through the Bank's November, 1999 Auction, \$1,090,646.00 was received. Additionally, the Bank received \$27,328.00 from the State Treasury for administrative costs of implementing the Special Purchase Program.

Although not yet disbursed, the Bank has a \$32,750.00 contract with the Pinelands Commission to design a unified database program that tracks, analyzes, and reports on all facets of the Pinelands Development Credit Program.



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PINELANDS DEVELOPMENT CREDIT BANK

ACCOUNT STATUS DETAIL* JUNE 30, 1998

BALANCE CARRIED FORWARD FROM FY 1997	\$ 402,601
EXPENDED/ENCUMBERED (-)	\$ 31,743
BALANCE AS OF 6/30/98	\$ 370,858

*As Recorded from N.J.F.I.S. Account Detail Status Report

ACCOUNT STATUS DETAIL JUNE 30, 1999

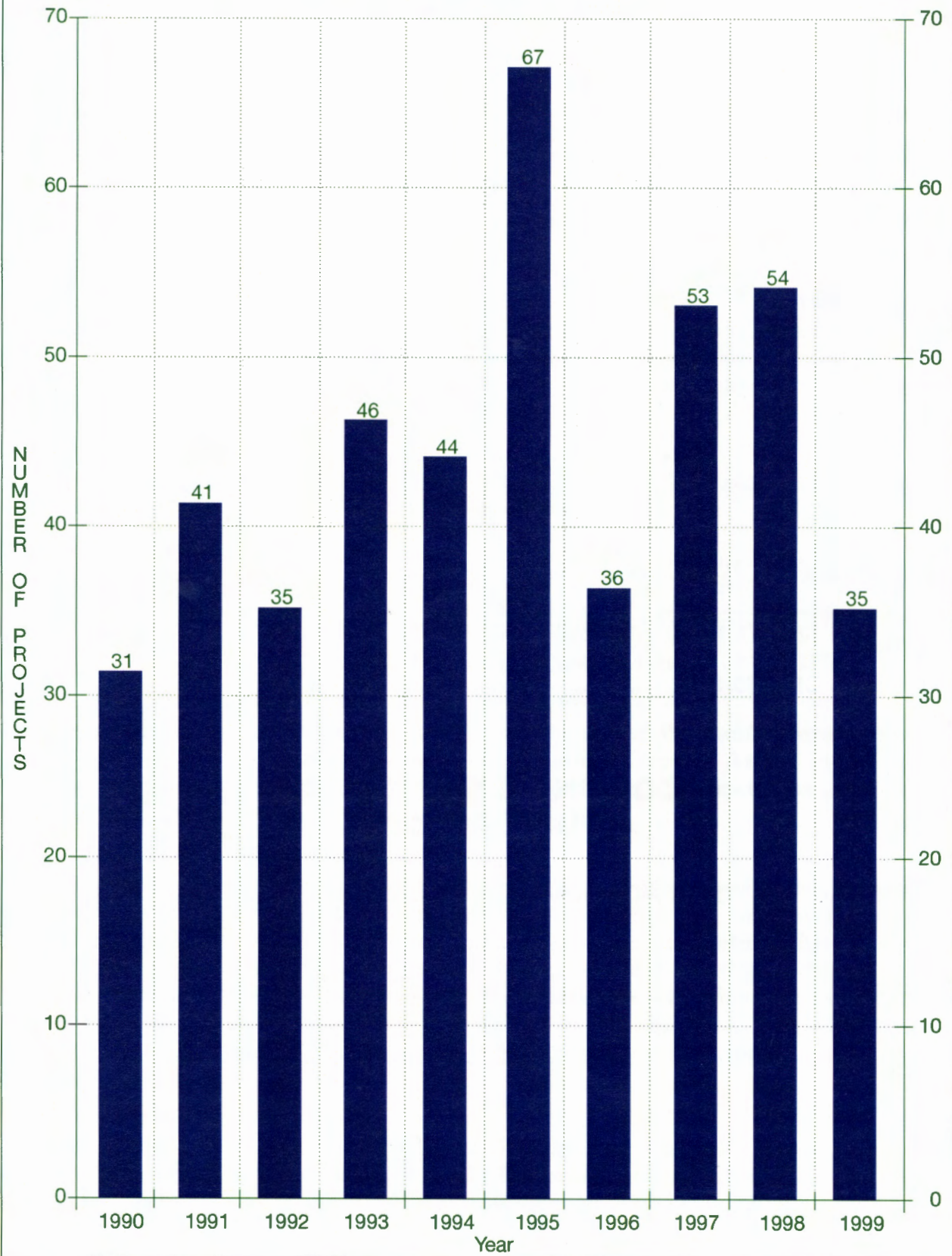
BALANCE CARRIED FORWARD FROM FY 1998	\$ 370,858
EXPENDED/ENCUMBERED (-)	\$ 33,977
BALANCE AS OF 6/30/99	\$ 336,881

ACCOUNT STATUS DETAIL JUNE 30, 2000

BALANCE CARRIED FORWARD FROM FY 1999	\$ 336,881
EXPENDED/ENCUMBERED (-)	\$ 89,044
REFUNDED (+)	\$ 1,117,974
BALANCE AS OF 6/30/2000	\$ 1,365,741

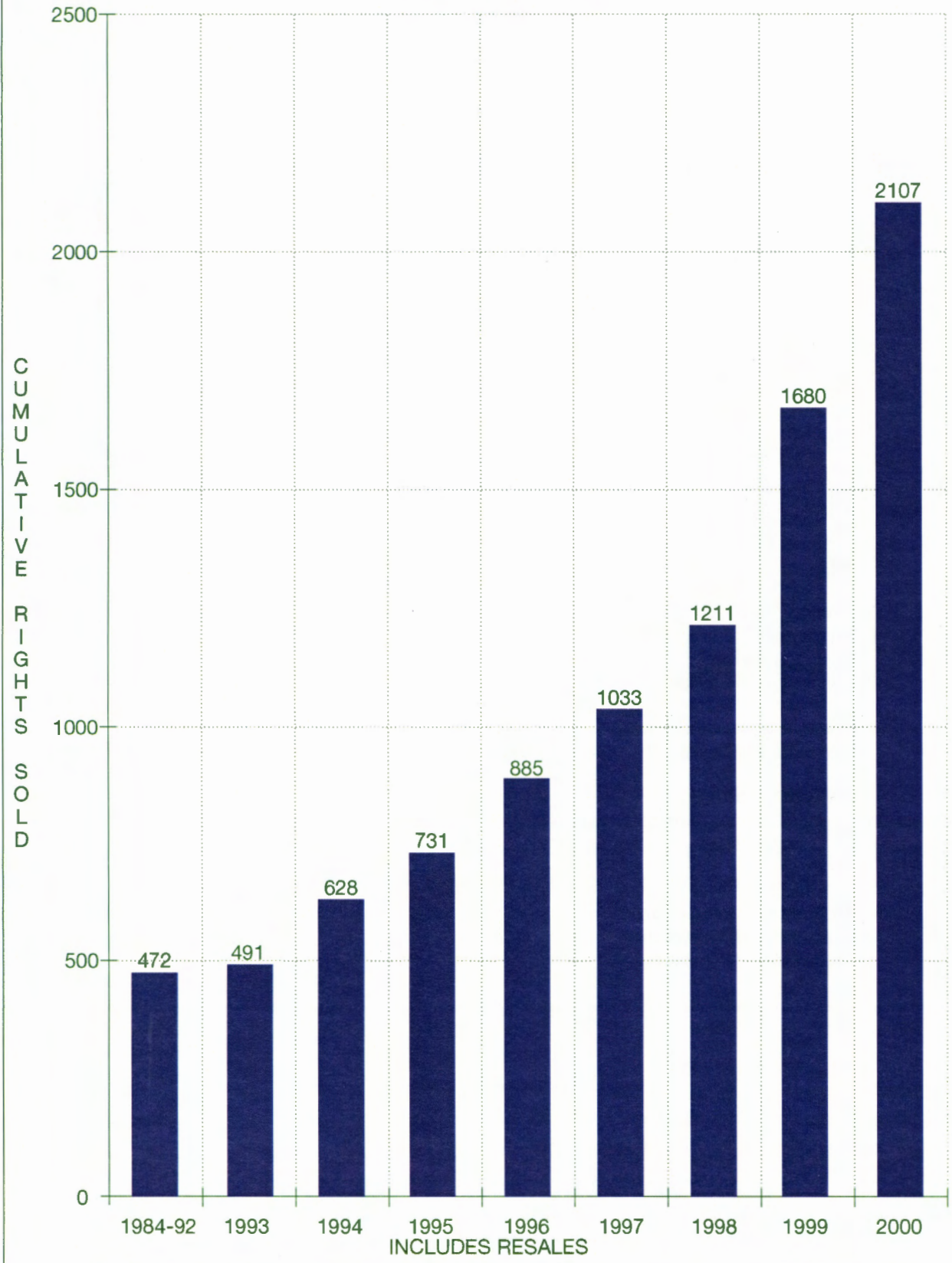
NUMBER OF NEW PROJECTS USING PDC'S

Annual Trends



RIGHTS PURCHASED BY DEVELOPERS

Fiscal Years 1984-2000



STATE OF NEW JERSEY PINELANDS DEVELOPMENT CREDIT BANK

BOARD OF DIRECTORS

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Karen L. Suter

Commissioner of Banking and Insurance

Nicholas J. Ketcha, Jr.

Director of Banking

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Arthur R. Brown, Jr.
Secretary of Agriculture

Member

Samuel Garrison
Assistant Secretary of Agriculture

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John J. Farmer, Jr.
Attorney General

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George Rover
Assistant Attorney General

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Robert C. Shinn, Jr.
Commissioner of Environmental Protection

Member

Cari J. Wild
Assistant Commissioner of Natural Resources
Environmental Protection

Alternate Member

Jerrold Jacobs
Chairman

N. J. Pinelands Commission
Member

Richard Chinery
Public Member
Barnegat

John J. Tarditi, Jr.
Public Member
Haddonfield

Donald McCauley
Public Member
Sewell

VACANT
Public Member

Helene Chudzik
Deputy Attorney General
Legal Counsel

John T. Ross
Executive Director

Denise R. Bushnell
Executive Secretary

Dennis F. Massimo
Project Manager

PINELANDS DEVELOPMENT CREDIT BANK

P. O. Box 035

Trenton, NJ 08625-0035

(609) 984-0569

Fax: (609) 984-0608