

# WHAT IS A P.I.L.O.T. ?





Not that pilot



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**WHAT IS A  
P.I.L.O.T. ?**

**PAYMENTS IN LIEU OF TAXES**

# **N.J S.A. 40A:20-1**

## **THE LONG TERM TAX EXEMPTION LAW**

Attracting commercial, residential and industrial development to areas most in need of redevelopment or rehabilitation is often difficult so municipalities are increasingly utilizing New Jersey's Tax Abatement Programs, providing for Payments in Lieu of Taxes or "PILOTs" to help with community growth and progress in these areas. Under these PILOT programs, municipalities are authorized to grant developers exemptions from traditional property taxes for a set period of time to encourage them to make improvements to property, or to locate a project in a distressed or "blighted" area. Instead of property taxes, property owners make an annual PILOT payment to the municipality. The PILOT payment can be less than traditional taxes, and is structured so that the municipality receives more of a benefit than it would from usual property tax apportionment. Not only do these exemptions save a developer in real estate taxes, but they provide an increase in the fair market value of the property as a result of higher net operating income.

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Long-term tax abatements (NJSA 40A:20-1) may last up to 30 years from completion of a project, are typically utilized for larger redevelopment projects, and require a municipality to declare an area as being in need of redevelopment. The PILOT is then set based on a percentage of project costs or revenue generated by the project, depending on the type of project.

In determining whether to enter into an abatement agreement, it is important to consider, among other criteria, the type and size of the development, impact of local tax rate on the profitability of the project, and the fiscal benefit added to the community.

# N.J S.A. 40A:20-1

## THE LONG TERM TAX EXEMPTION LAW

### Singac Redevelopment

- Was the area declared in need of Redevelopment **YES**
- Was the type and size of the development large enough to meet the PILOT criteria **YES**
- Was the impact of local tax rate critical to the profitability of the project **YES**
- Will there be a fiscal benefit added to the community. **YES**



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### **Singac Redevelopment**

- 185 Multi-family apartment building
- 102 unit townhome development
- The project is in accordance with the Township Master Plan and the Redevelopment Plan
- Replacing 7.98 acres of obsolete and underutilized mix of residential, commercial and industrial properties

# N.J S.A. 40A:20-1

## THE LONG TERM TAX EXEMPTION LAW

### Singac Redevelopment

- A PILOT is based on the cost of improvements on the property
- The land portion of Real Estate Taxes remains unchanged
- Multi-family apartment building PILOT
- Year 1- \$408,261.50 Increasing annually to Year 30- \$653,791.87
- 102 unit townhome development PILOT
- Year 1-all units sold- \$1,209,000 Year 30- \$1,991,000
- County Share at 5% of municipal PILOT- Year 1-\$80,863
- School Taxes provided by the Township remain unchanged
- Additional funding to the Local School from the PILOT-Year 1 \$50,000
- Over and above the school tax levy (It's a Gift)

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### **HOW IS THE SCHOOL TAX CALCULATED IN A PILOT?**

- The school prepares its budget annually and levies its School Tax
- That tax is incorporated into the total tax for each Tax Payer
- The school receives 100% of the school tax levy ( No Change)
- There is no school tax adjustment downward for the PILOT

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**Singac Redevelopment**

# **QUESTIONS**