



# State of New Jersey

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## HIGHLANDS REGIONAL MASTER PLAN MONITORING PROGRAM LAND OWNER EQUITY TECHNICAL ADVISORY COMMITTEE MEETING

**DATE:** December 15, 2015  
**TIME:** 12:30PM - 2:30PM  
**LOCATION:** Highlands Council Office  
100 North Road  
Chester, NJ

### ATTENDEES:

First Name	Last Name	Organization
Candy	Ashmund ( <i>by phone</i> )	Association of NJ Environmental Commissions (ANJEC)
Richard	Cotton	Hawk Point Golf
Matt	Krauser	Integra Realty Resources (IRR)
Jeff	LeJava ( <i>by phone</i> )	Open Space Institute (OSI)
William	Millette	Hunterdon County
Frank	Pinto	Spinelli and Pinto Consulting
Deborah	Post	Land Owner
Corey	Tierney	Warren County
George	Vallone	New Jersey Builders Association (NJBA)
Neil	Yoskin	Economic Development Association of NJ
James	Visioli	NJ Highlands Council – Member
Margaret	Nordstrom	NJ Highlands Council – Executive Director
Chris	Danis	NJ Highlands Council – Staff
James	Humphries	NJ Highlands Council – Staff
Corey	Piasecki	NJ Highlands Council – Staff
Ellis	Calvin	Regional Plan Association
Courtenay	Mercer	Regional Plan Association

## **MEETING PURPOSE:**

Technical Advisory Committees (TACs) serve to engage those with specific technical content knowledge across the ten topic areas included in the Highlands Regional Master Plan (RMP). TAC membership represents academic institutions, business and industry, regulatory agencies, and non-government organizations each providing a unique perspective on their area of expertise. Each TAC will meet two times over the course of the RMP Monitoring Program project.

The purpose of TAC Meeting 1 was to review of the draft proposed indicators under consideration for analysis, as well as sample indicator reports demonstrating the type of output that is anticipated to be included in the Monitoring Program Recommendation Report (MPRR). As time allowed, the TAC could discuss potential milestones.

## **MEETING SUMMARY:**

The meeting opened with welcome remarks by the MPRR project consultant, Courtenay Mercer, New Jersey Director at Regional Plan Association (RPA). After attendees introduced themselves, Ms. Mercer provided an overview of the meeting purpose and an explanation of the meeting materials, which included the Agenda, RMP Goals information sheet, Briefing Memo, and Draft Indicator Spreadsheets.

Participants were presented with several general questions regarding implementation indicators in the MPRR, including:

- Do the indicators adequately analyze the Land Owner Equity goals and policies of the RMP? Are there any missing indicators, or are any indicators listed in an inappropriate tier?
- For the sample indicators, does the proposed MPRR format present the indicator clearly (in its narrative, tables, charts, and maps)?
- For each indicator, what may serve as the appropriate corresponding milestone?

The TAC first discussed the draft proposed Tier 1 indicators (those with the strongest nexus to the goal and policies of the RMP), which would be analyzed as part of the MPRR. Ms. Mercer began by clarifying that the Highlands Development Credit Receiving Area indicator previously housed in the Agriculture topic area and the Agricultural Easement Value indicator previously housed in the Economic Development topic area, were both referred by their respective TACs to Land Owner Equity.

Participants questioned the need to analyze exemptions, as it only concerns development tied to one lot. Similarly, even if a landowner was able to build one single family home on a lot, they may have been planning on building more and could no longer get the permit—this situation would not be reflected in the Exemptions indicator. There was also concern that the analysis is incomplete without data on exemptions granted from New Jersey Department of Environmental Protection (NJDEP), which does not currently have complete or digitized records of exemptions. Participants suggested eliminating building permits from the Exemptions indicator.

Participants were eager to discuss the Transfer of Development Rights (TDR) program and its related indicators. There was agreement, demonstrated in both the experiences of the TAC members and in the indicator analyses, that the TDR program has not accomplished the goals presented in the

RMP. Participants emphasized that the key to the program's success is targeting locations where municipalities can support greater density and developers want to build. Participants suggested new ways of analyzing the potential for TDR Receiving Areas, including identifying the top ten fastest growing municipalities that benefit from Highlands water and obligating them to accept greater density through the TDR program. Several proposals for revamping the TDR program were suggested, including a legislative fix to make the program mandatory, and identifying additional incentives. An indicator measuring the growth in demand in areas served by Highlands water was also suggested. Highlands staff mentioned current efforts through a parallel TDR technical study to re-evaluate the incentives offered to create TDR Receiving Areas.

TAC members suggested that the qualitative aspects of municipal motivation to receiving area participation, is more important than the quantitative analysis of participation rates. At the same time, TAC members noted, the demand for development needs to be present, or incentives to municipalities will not matter. On that point, participants suggested an indicator to identify the demand side of the market within the Highlands Region and surrounding areas, as well as the factors effecting capacity, such as water infrastructure and delivery.

Participants discussed the possibility of linking TDR Receiving Areas with Council on Affordable Housing (COAH) requirements, allowing the substitution of Highlands Development Credits (HDCs) for COAH requirements, for example. Participants also emphasized the importance of outreach to developers and municipalities to make the economic case for density, and try to integrate the TDR program with a greater vision of economic development and quality of life. The possibility of using a water tax to fund HDC acquisition, or buying land or easements directly and letting the market take its course was also suggested. A compensation task force based in the Treasury Office was also proposed. It was decided that this could be a recommendation to the Highlands Council in the MPRR, but the first priority is completing the technical analysis to make the case for reform.

Participants suggested that the TAC meet more than once to discuss solutions to accomplishing the Landowner Equity goals and policies of the RMP, including how to make the best case to the legislature for a legislative fix to the TDR program. Ms. Mercer emphasized that the Land Owner Equity indicator analysis is an important first step to make this case.

Participants suggested an indicator to analyze the potential amount of funding needed to purchase all eligible Highlands Development Credits (HDCs), compared to the funds spent since 2008. This could be accomplished by multiplying the initial HDC value by the number of eligible HDCs as identified by the Highlands HDC Allocation Tool. The change in eligible HDCs should be calculated considering lost or retired HDC opportunities through exemptions, development, HDC acquisition and preservation. Participants also discussed the appropriate level of funding necessary to purchase eligible HDCs, as land use change regulation is not necessarily a taking (it is not a complete loss of reasonable economic use of the property); and therefore, HDCs should not be assumed to be 100 percent of lost value. Fifty percent compensation was suggested. Consensus was not achieved on this point. Participants further suggested comparing the Highlands TDR Program absorption rates to other TDR programs in NJ and the nation. This would likely be a Science and Research Agenda item.

With regard to the TDR Feasibility Grants indicator, participants suggested also identifying the percentage of eligible towns that have studied and are moving forward with TDR Receiving Areas.

Participants emphasized that it was important to note the effectiveness of TDR Feasibility Grants as demonstrated by the implementation of HDC Receiving Area.

Participant suggested that the HDC Bank indicator be refined to include and distinguish between public and private sales/transfers to demonstrate the market for credits.

Participants discussed the need for data about land sales and acquisition, by both private entities and public programs like Green Acres and Farmland Preservation program. Ms. Mercer explained that Agricultural Easement Values will be analyzed as part of this topic area and the Fiscal Impact Assessment (FIA), and general property sales and equalized values will also be analyzed in the FIA and indicators in other topic areas.

Ms. Mercer then reviewed the final proposed changes to the Land Owner Equity indicators:

**Agricultural Easement Values:**

- No changes suggested

**Exemptions:**

- Remove building permits
- Need to obtain NJDEP data to make this indicator relevant

**HDC Allocation:**

- Add analysis of total eligible HDCs and cost to acquire

**HDC Bank:**

- Revise to include private transactions – change title to HDC Transactions
- Conduct a comparative analysis of TDR absorption rates (Science and Research Agenda)

**HDC Receiving Areas:**

- Incorporate analysis from TDR Feasibility Grants

**TDR Feasibility Grants:**

- Consolidate into HDC Receiving Areas
- Add number of participating municipalities as a percent of eligible grantees

**TDR Funding Availability:**

- No changes suggested

**HDC Transfers Due to Density Increase (Tier 3):**

- Eliminate – accounted for in the private transaction revision to HDC Transaction Indicator as noted above

## **REVISED DRAFT LAND OWNER EQUITY INDICATORS:**

### **TIER 1 INDICATORS:**

- **Agricultural Easement Values:** Measures change in appraisal values of agricultural easements.
- **Exemptions:** Identifies the number and location of Highlands exemptions.
- **Highlands Development Credit Transactions:** Measures the number and status of applications for purchase of Highlands Development Credits (HDCs) to the Highlands Development Credit Bank, as well as HDC Bank and private HDC transactions.
- **HDC Allocations:** Tracks HDC allocations, as well as number and minimum value of eligible HDCs.
- **HDC Receiving Areas:** Tracks eligible and designated HDC receiving areas, as well as the location, expenditures and status of Highlands TDR Feasibility Grants.
- **HDC Funding Availability:** Tracks sources and value of funding for HDC acquisition.

### **TIER 2 AND 3 INDICATORS:**

- **HDC Incentive Mechanisms:** Measures the number and type of HDC incentive mechanisms.
- **HDC Value:** Measures change in overall and median value of HDCs.
- **TDR Sending Zones:** Measures change in areas from which TDR can be transferred.
- **Waivers:** Identifies the number and location of Highlands waivers.