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# PILLOTS 101 DON'T BE AFRAID OF THE “BIG BAD WOLF”

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# Redevelopment Law

- PILOT (Payment in Lieu of Taxes) requested for a project that would otherwise not be financial viable
- Long Term Tax Exemption Law – N.J.S.A. 40A:20-1
- Five-Year Tax Abatement Law – N.J.S.A. 40A:21-1
- Contract/Partnership between Redeveloper and Town
  - 5% of PILOT is Due to County
  - Land Tax Credit
  - No \$\$ for school districts



# Redeveloper Requesting PILOT Under LTTE Statute

Must pay:

- Not Less Than 10% of Gross Annual Revenue
- Not Less Than 2% of Project Costs
- Statutory Step-Ups / Minimum Percentage of Traditional Taxes after 15 Years (20/40/60/80%)
- Tax Abated PILOTs pay 0/20/40/60/80% of regular taxes during 5 year period



# How Projects are Financed

- ❑ Private Long or Short-term Mortgage Obtained by Developer
- ❑ Redevelopment Area Bonds (RABs) Secured by PILOT Revenues
  - ❑ “Dirt” Bonds – High Risk to Lender
  - ❑ RABs Issued After Project (or Phase of Project) is Completed



## **More About RABs**

- ❑ Allows PILOT to be Negotiated / Creates More Flexibility
- ❑ Redeveloper May Request Financial Help from Municipality for:
  - ❑ Extensive Environmental Remediation
  - ❑ Public Infrastructure / Utility Improvements
  - ❑ General Obligation Bonds or Notes – can used for these

## What You Should Do

- ❑ You should take pro-active interest in PILOT proposals in their constituent municipalities
- ❑ If school property is involved in redevelopment project, may be opportunity for PILOT participation (Madison School District)
- ❑ Discussions on-going as to uncompensated impact of development projects on schools particularly in urban areas
- ❑ In Short – Stay Involved

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# Questions?

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