



STEVEN M. FULOP  
MAYOR OF JERSEY CITY

**CITY OF JERSEY CITY  
OFFICE OF THE MAYOR**

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STEVEN M. FULOP  
MAYOR OF JERSEY CITY

Report of Directors  
8.e  
Meeting 09.09.2015

E.O. 2015-007  
**Superseding and  
Rescinding E.O. 2013-004**

September 3<sup>rd</sup>, 2015

**EXECUTIVE ORDER OF THE MAYOR  
OF THE  
CITY OF JERSEY CITY**

**PAYMENT IN LIEU OF TAXES POLICY AND PROCEDURES**

Pursuant to the authority vested in the Mayor of the City of Jersey City by law, I issue the following Executive Order (EO) approving and directing the implementation of procedures and policy guidelines for best practices in the award of long term tax exemptions or Payment In Lieu Of Taxes (PILOTs). This EO supersedes any previous EOs and/or Policies.

I. Statement of Purpose:

The award of PILOTs for construction projects located within a redevelopment area, an urban enterprise zone, or to create affordable housing, had historically been a process subject to vague parameters, a lack of transparency, and the perceived injudicious exercise of discretion. As a result, public confidence in the process had eroded, and redevelopment in underserved areas had been neglected. By the promulgation of EO 2013-004 this administration began to address these issues by alleviating the underlying causes of public policy concerns while stimulating redevelopment in underserved areas. The within EO and correlating Policy is an update of the EO and Policy initially promulgated to foster the transparency, objectivity, uniformity, predictability and strategic incentives the City needs to grow and prosper. This updated EO and the correlating policy will continue to incentives development in areas most in need of it while also leveraging the economic activity taking place in Jersey City to create a significant amount of new affordable housing.

This EO affirms the procedures and policy guidelines to be used in the evaluation, approval and awarding of long term tax exemption applications and financial agreements. These procedures and policy guidelines are undertaken in conjunction with the requirements of the Long Term Tax Exemption Law, N.J.S.A. 40A:20-1 et seq.; 5 Year Tax Exemption Law, N.J.S.A. 40A:21-1 et seq.; the New Jersey Housing Mortgage and Finance Agency Law, N.J.S.A. 55:14K-1 et seq.; and all applicable ordinances of the City of Jersey City. This EO is prospective. Accordingly, it applies to future long term PILOTs and related financial agreements including any amendments to existing Financial Agreements. More specific additional guidance can be found in the policy guidelines attached hereto as Appendix A, which guidelines may also be amended from time to time.

## II. Definitions:

When used in this EO, terms shall be defined as follows:

“Affordable Housing Project” means a project intended to provide housing affordable for persons of low or moderate income, for senior citizens under section 202 of Pub.L. 86-372 (12 U.S.C. § 1701q) or rental housing for persons with disabilities under section 811 of Pub.L. 101-625 (42 U.S.C. § 8013), or under any other program that the New Jersey Commissioner of Community Affairs by rule may determine to be of a similar nature and purpose.

“Service Charge” means the annual payment to be made by the Entity to the City in lieu of payment of conventional property taxes. The service charge is calculated as a percentage of either the project’s gross revenue, or total project cost, whichever is designated in the Financial Agreement.

“Application” means a written application prepared by an Entity seeking a PILOT.

“Certified Audit” means a complete set of financial statements rendering an opinion on the Entity’s annual financial statements taken as a whole, prepared according to the current standards of the Financial Accounting Standards Board, and certified as conforming to those standards by the Certified Public Accountant duly licensed to practice that profession in the State of New Jersey.

“City” means the City of Jersey City.

“Entity” means either an “Entity” defined as a limited-dividend entity, or non-profit entity, pursuant to N.J.S.A. 40A:20-1 et seq.; qualified under N.J.S.A. 55:14K-1 et seq.; or, an owner under N.J.S.A. 40A:21-1 et seq.

“Financial Agreement” means the contract between the City and the Entity including all amendments and supplements thereto, by which a PILOT is conferred.

“Gross Revenue” means annual gross revenue or annual gross rents, as appropriate, and other income, for each Urban Renewal Entity designated pursuant to N.J.S.A. 40A:20-1 et seq., N.J.S.A. 40A:21-1 et seq., N.J.S.A. 55:14K-1 et seq. or, in the case of a condominium project, as determined pursuant to N.J.S.A. 40A:20-14.

“Project” means the land and the improvements thereto or thereon or the construction, improvement or conversion of a structure in an area in need of rehabilitation that would qualify for a PILOT, and which are the subject of the Financial Agreement.

“Project Employment and Contracting Agreement” means an agreement between the City and the Entity that requires the Entity to contract with local businesses and hire City residents, minorities and women owned businesses during construction and permanent employment upon project completion for the term of the exemption.

“Tax Exemption” means to exempt from conventional taxation the value of improvements under a financial agreement pursuant to N.J.S.A. 40A:20-1 et seq., N.J.S.A. 55:14K-1 et seq. or tax agreement pursuant to N.J.S.A. 40A:21-3, for a limited time has provided in the Financial Agreement between the City and the Entity; more commonly referred to as a “tax abatement” but hereinafter shall be referred to as a “PILOT.”

III. Procedure for the Award of a Tax Exemption.

A. First Step: Project Proposal Discussion:

Prior to submitting an application the Project Developer or its designated agent and/or attorney will meet with the Deputy Mayor or his/her designated agent to go over the general parameters of the proposed project and PILOT application. Projects located within an area designated as a Redevelopment Area may be obligated to enter into a Redevelopment Agreement with the Jersey City Redevelopment Agency (JCRA) pursuant to its mission to undertake and/or assist with redevelopment projects with functions such as project facilitation, site assemblage and clearance, and environmental remediation. Such agreement may include terms and conditions consistent with the City's affordable housing policies.

B. Second Step: The Entity Submits an Application for a PILOT:

The Entity must submit an Application addressed to the Mayor. The Entity in its Application shall satisfy the minimum requirements set forth in state law, and demonstrate compliance with the policy guidelines attached hereto as Exhibit A.

C. Third Step: The Mayor Approves or Disapproves the Application:

The Mayor shall recommend within 60 days to approve or disapprove the Application. The Mayor's recommendation will be based upon the application's compliance with the minimum requirements contained in state and the policy guidelines attached hereto, subject to legal review by Corporation Counsel. The Mayor shall submit the Application to the Council with his recommendation.

If the Entity demonstrates it has met the minimum requirements set forth in state law, and has complied with the criteria set forth in the attached policy guidelines, the Application shall receive Mayoral recommendation and should be approved by the Council. An Application that has been disapproved by the Mayor may be withdrawn, revised and resubmitted by the Entity, but a new application fee will be charged.

D. Fourth Step: The Financial Agreement Between the Entity and the City is Prepared:

Once the Application receives the Mayor's recommendation, the City shall prepare a Financial Agreement between the City and the Entity to be submitted to the Council with the Application. The Financial Agreement shall set forth tax exemption provisions including, at a minimum, the duration of the tax exemption and the annual service charge, including the statutory phase-in requirements, and shall conform to the requirements contained in the applicable state law. The Financial Agreement shall conform to all applicable ordinances of the City of Jersey City, as well as other such provisions the Corporation Counsel deems appropriate and necessary.

The Financial Agreement shall also include findings by the City as to (a) the relative benefits of the project to the redevelopment of the redevelopment area, when compared to the costs, if any, associated with the tax exemption; and (b) an assessment of the importance of the tax exemption to be granted in obtaining the development of the project and influencing the location decisions of probable occupants of the project or units of the project

E. Fifth Step: The Application and Financial Agreement are Submitted to the Council for Approval:

Once the Financial Agreement has been prepared, the Financial Agreement shall be submitted to the Council for approval by ordinance. The Application shall be placed on file with the Clerk so that it is available for review. The Financial Agreement shall not take effect until approved by ordinance. The Council will either approve the Application and the Financial Agreement as presented and adopt the ordinance, or disapprove the Application and the Financial Agreement as presented and reject the ordinance. If the Application and the Financial Agreement conform to the policy guidelines attached hereto, adoption is strongly encouraged. After adoption, a Financial Agreement may be amended or modified from time to time but only with the mutual consent of the parties. Any amendments or modifications of Financial Agreements shall be by application and will be subject to the same procedure as a new application, including the payment of an application fee as set forth in §160-1(KK) of the Jersey City Code.

IV. Application – Criteria for Evaluation.

An application will be evaluated by the Mayor according to the criteria set forth in the attached policy for the award of a PILOT. Failure of an Entity's Application to conform to the within PILOT Policy will result in the Application receiving a negative or unfavorable recommendation from the Mayor.

V. Financial Agreement – Form and Contents

Every approved project shall be evidenced by a Financial Agreement between the City and the Entity. The Financial Agreement shall be in the form of a contract, and shall include, but not be limited to, the following:

A. A detailed construction schedule, which must indicate that the commencement of construction shall occur no later than 2 years from the date of adoption of the ordinance approving the tax exemption. Unless otherwise provided for by law, construction shall be deemed to have commenced when all necessary approvals, including the issuance of building permits, have been obtained and construction activity has begun on site;

B. The Entity's plans for financing the project, including the estimated total project cost, the amortization rate on the total project cost, the source of funds, the interest rates to be paid on the construction financing, the source and amount of paid-in capital, the terms of mortgage amortization or payment of principal on any mortgage, a good faith projection of initial sales prices of any condominium units (if applicable) and expenses to be incurred in promoting and consummating such sales, and the rental schedules and lease terms to be used in the project (if applicable). Any changes or modifications to the plans for financing, including the project cost must be reported in a timely manner to the Mayor;

C. The amount of the administrative fee;

D. The duration or term of the Financial Agreement, which shall commence upon the delivery by the City Clerk to the Tax Assessor of a certified copy of the ordinance approving the Financial Agreement as provided in N.J.S.A. 40A:20-12, delivery shall be presumed to have occurred upon final publication of the ordinance approving the PILOT;

E. The first payment of the annual service charge which shall become due and owing on the first day of the month following Substantial Completion of the project. Substantial Completion shall mean the date of the issuance of the first certificate of occupancy, whether temporary or final, for any portion of the project. The annual service charge, if not timely paid, shall accrue interest thereafter, whether or not the Entity receives a bill therefore, and accrue at the same rate as charged for delinquent taxes;

F. The amount and schedule of payments to the Affordable Housing Trust Fund (if applicable) which shall be in accordance with the governing statute and §304-28 to §304-30 of the Jersey City Code;

G. The method for computing the project's gross annual revenue;

H. A requirement to execute a Project Employment and Contracting Agreement and, if applicable, a Project Labor Agreement;

I. A requirement to comply with the Living Wage Ordinance, Section 3-76 of the Jersey City Municipal Code.

J. A provision that the profits of and/or dividends payable by the Entity shall be limited, according to the provisions of N.J.S.A. 40A:20-1 et seq., if the Entity is a limited-dividend entity, and that such excess net profits, if any, shall be calculated and paid annually to the City as an additional service charge in accordance with N.J.S.A. 40A:20-3(c) and N.J.S.A. 40A:20-15;

K. A provision that requires the Entity to pay a county service charge in an amount equal to 5% of the annual service charge payable to the City and remitted by the City to the County in addition to the annual City service charge and the administrative cost charge.

L. A requirement that the Entity submit, within 90 days after the close of its fiscal year, its auditor's reports to the Mayor or his designee, Business Administrator, Tax Collector, Corporation Counsel, City Clerk, as well as to the Director of the Division of Local Government Services in the New Jersey Department of Community Affairs. The auditor's report shall include an audit of total project cost certified by the project architect and certified public accountant, the annual audit of annual gross revenue, an annual excess profit calculation and the annual financial operations of the project. The audit shall be certified to by a certified public accountant. The City reserves the right to undertake a separate audit by an outside auditor, the cost to be borne by the Entity; and

M. Such other terms and conditions as the Corporation Counsel or Business Administrator deem appropriate and necessary.

#### VI. Financial Agreement – Enforcement and Penalties.

Historically, enforcement procedures, mechanisms, and penalties varied on a project-by-project basis. Going forward, enforcement procedures, mechanisms and penalties will be standardized and applied uniformly. Any Entity which is in default of an obligation in the Financial Agreement shall be required to cure the default within 30 days after receiving a notice of the default. Examples of an event of default include, but are not limited to, failure to commence or complete construction in accordance

with the construction schedule; failure to timely pay the annual service charge, administrative fee, contribution to the Affordable Housing Trust, or any other fees associated with the project and Financial Agreement; failure to timely submit certified copies of audits of total project cost, annual gross revenue and annual excess profit calculation; and the breach of any other material condition. Failure to cure the default within the specified cure period will require the Entity to pay the City's legal fees, costs and expenses in enforcing the Financial Agreement and may result in the imposition of any or all of the following remedies:

- A. Imposition of a tax lien for any unpaid charges;
- B. If the parties cannot quantify damages, liquidated damages will be imposed in accordance with the Financial Agreement;
- C. Imposition of interest on the late payments of any charges at the highest rate allowed for by law for delinquent taxes;
- D. Increase in the percentage of annual gross revenue or total project cost, as applicable, used to calculate the annual service charge;
- E. Suspension or termination of the tax exemption;
- F. All of the remedies provided in the PECA or PLA, if applicable.

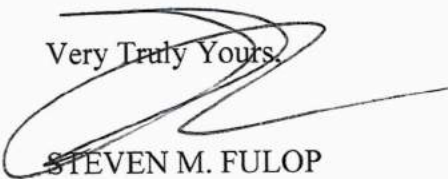
#### VII. Severability

If any provision of this EO, or the application of any such provision to any person or circumstances, shall be held invalid or unenforceable for any reason, the remainder of this EO to the extent it can be given effect, or the application of such provision to persons or circumstances other than those to which it is held invalid or unenforceable shall not be affected thereby, and to this extent the provisions of this EO are severable.

The EO and attached policy guidelines shall be kept on file in the office of the City Clerk and the Office of the Tax Collector. It will be posted on the City's website and will be made available to the public upon request.

This EO shall take effect immediately.

Very Truly Yours,

  
STEVEN M. FULOP  
MAYOR

## Appendix A

## Appendix A





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MAYOR OF JERSEY CITY

## CITY OF JERSEY CITY OFFICE OF THE MAYOR

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### **JERSEY CITY TIERED PAYMENT IN LIEU OF TAXES (PILOT) POLICY**

Real estate development is crucial to building a city; however, unfettered development does not guarantee that the City of Jersey City will succeed in realizing its full potential. To excel, the City must adopt a thoughtful, reasoned, comprehensive development strategy, then properly and efficiently manage the resulting development. This includes realizing adequate tax revenues to support essential City services, creating jobs at all income and educational levels, and fostering the right mix of housing, commercial and recreational opportunities necessary to cultivate and strengthen vibrant neighborhoods of varying characteristics. The 2013 Policy laid the foundation for the City to make its progressive vision a reality. This 2015 Policy reflects a review of the 2013 policy with appropriate adjustments to further that vision.

The City's historic use of Payments in Lieu of Taxes (PILOTs) had resulted in unbalanced development that has not truly benefited the City as a whole. This policy seeks to address this reality. Consequently, long-term PILOTs will be modified along the waterfront and downtown. And long-term PILOTs will be more fully utilized to support and encourage development in other areas of the City, including but not limited to Journal Square, Bergen Lafayette and along the Route 440 Corridor.

How and where to create incentives for development within the City continues to be critical factors to fulfill the City's needs for strategic globally beneficial development. While the use of PILOTs is controlled by various state laws, there is flexibility within the Long-Term Tax Exemption Law and the Redevelopment Area Bonding Law that allows the City to prioritize and maximize the impact of PILOTs. The below policy recognizes the importance of PILOTs to encourage redevelopment in parts of the City where it is most needed and incorporates the principles of standardization to make the tax abatement process more transparent and predictable. The intention is to prioritize the use of PILOTs in targeted areas as well as to encourage investment, job creation and the construction of new affordable housing for the benefit of longstanding residents and businesses of the City.

Affordable housing is a public good and a benefit to the residents of the City that would not otherwise occur without the City providing incentives. By partnering with developers, the City is able to create quality, sustainable affordable housing in all areas of the City, which will ensure any resident, regardless of where they live, can enjoy the same benefits and amenities that come with new development as their peers.

## **The Jersey City PILOT Program Concepts and Tools**

The policy guidelines and structure of the current Jersey City PILOT program rely upon the Long-Term Tax Exemption Law (LTTE). The within policy utilizes the current City ordinances with strategic amendments. The Ordinances addressed herein include: the Affordable Housing Trust Fund (Chapter 304-28 et seq.); Construction Project Labor Agreements (Chapter 304-33 et seq.) and the Living Wage Ordinance (Chapter 3-76c et seq.). These ordinances utilize several concepts that will continue to be used and warrant identification herein. These concepts are:

- **Project Labor Agreement:** A Project Labor Agreement (PLA) is a contract between a labor organization and a developer that contains at a minimum the requirements set forth in the Section 304 of the City Code dealing with Construction PLAs. The City currently requires a PLA for projects with actual construction costs exceeding \$25,000,000. Other requirements include, but are not limited to, a guarantee that there will be no strikes or lockouts; procedures to ensure the timely resolution of labor disputes; and a mandate that 20% of the labor hours required shall be performed by apprentices and that all apprentices be City residents.
- **Project Employment and Contracting Agreement:** The City has a policy requiring any recipient of an economic incentive, defined in part as any tax abatement or exemption that reduces the annual amount of taxes otherwise due by \$25,000 or more in the aggregate, to achieve a good faith goal of a workforce representing 51% City residents, 51% of whom are minorities and, in non-traditional jobs, 6.9% of whom are women. In addition, developers must achieve a good faith goal of awarding 20% of the dollar amount of its contracts to local businesses, 51% of which shall be minority or woman owned local businesses. The terms and conditions of such goals are set forth in a Project Employment and Contracting Agreement (PECA) to be executed at the same time of the Financial Agreement is executed.
- **Cost-Benefit Analysis:** Pursuant to the cost-benefit analysis required by state law, the City weighs the relative benefits of developing a blighted site or area against the increased costs generated by the project (if any) to the City. Financial agreements shall include findings setting forth the relative benefits of the project to the redevelopment of the redevelopment area when compared to the costs, if any, associated with the tax exemption and an assessment of the importance of the tax exemption to be granted in obtaining the development of the project and in influencing the decisions of probable occupants of the project or units of the project. The relative benefits include whether the project will provide employment and other economic opportunities for City residents and businesses. The incentives described in this policy will encourage and facilitate job creation, which in addition to providing employment opportunities also tends to stabilize and contribute to the economic growth of businesses in the surrounding area, as well as further the overall redevelopment objectives of the underlying redevelopment plan or Urban Enterprise Zone.
- **Living Wage:** An Entity receiving a PILOT for a project with a construction cost of at least \$25,000,000, excluding land acquisition costs, is required to insure that both the Entity and/or its tenants or subtenants provide certain wage, benefit and leave standards to all janitors and unarmed security guards employed at the project as mandated by Section 3-76(C) of the City Code. The Entity is also required to include the provision in all leases to insure that the provision is applied to all janitors and unarmed security guards, whether directly or indirectly employed by the Entity, its tenant or subtenant.

- Moderate Income Housing: The City bases its definitions of low and moderate income housing income limits on those promulgated by the United States Department of Housing and Urban Development (HUD). When the term “Moderate Income Housing” is used in this policy, however, it shall mean housing available to households earning at or below 80% of the Area Median Income (AMI).
- Affordable Housing Trust Fund: Contribution to the City’s Affordable Housing Trust Fund (AHTF) is required for any market rate housing project or any commercial or industrial project receiving a PILOT. The amount of the contributions is set by State law as adopted by the City in Section 304-28 of the City Code.

### **The Jersey City Tiered PILOT Program**

The PILOT structure described herein is multi-tiered and is intended to support and provide greater incentives for new development in targeted areas of the City, while continuing to provide financial incentive to support development along the waterfront. All tiers are subject to the phase-in of conventional taxes over the life of the PILOT as provided herein and in accordance with state law. The City reserves the right to adjust the service charge provided for in each tier if the cost-benefit analysis results in a negative financial impact upon the City.

Attached to this document as Appendix A is a map which identifies several zones, each of which are eligible for different incentives. Each zone is defined as a tier. The first three tiers are based on a combined analysis of census tracts by Area Median Income, along with the City’s recognized redevelopment areas and conditions and quality of infrastructure. The fourth tier categorizes the areas in the City most in need of development. The fifth and sixth tiers categorize types of development deemed to be so important or beneficial to the City’s interests that they must be treated outside of the geographically defined tiers that make up the crux of this program.

#### **1<sup>st</sup> Tier**

Projects that fall within the zone designated as the 1st Tier on the Tier Map shall be eligible for a PILOT with the following terms:

- Term: 10 years;
- Annual service charge: 13% of annual gross revenues to the City;
- County service charge: An amount equal to 5% of the City service charge to be paid to the City in addition to the City’s service charge and to be remitted by the City to the County;
- Administrative cost charge: 2% of annual service charge;
- Financial Agreement;
- 10% of the units to be built must be Moderate Income Housing. The applicant may be relieved of its obligation to include a set aside of affordable housing, if the applicant makes a voluntary contribution to the Affordable Housing Trust Fund, at a rate of no less than \$5,000 for every

market rate unit that is actually built as part of the project. This contribution is in addition to the AHTF obligations imposed by City ordinance, state statute or the Financial Agreement.

- Compliance with applicable City ordinances, including affordable housing, PECA, PLAs and Living Wage; and
- All projects that demonstrate they have exceeded the applicable hiring obligations contained in the PECA and/or PLA are eligible for a 1% reduction in the annual service charge for the entire duration of the abatement starting from when the project has made the demonstration and for as long as the project remains in full compliance with all applicable PECA and/or PLA hiring obligations. As provided for in the applicable agreement, all projects shall report compliance with PECA and/or PLA regularly during the construction phase to qualify for the 1% reduction. After construction is complete, all projects shall report annually to maintain eligibility. However, in the event that the project receiving the 1% reduction ceases to be in compliance the 1% reduction will be suspended, in addition to the imposition of other remedies.

Additional considerations:

- Projects located within an area designated as a Redevelopment Area may be obligated to enter into a Redevelopment Agreement with the Jersey City Redevelopment Agency (JCRA) pursuant to its mission to undertake and/or assist with redevelopment projects with functions such as project facilitation, site assemblage and clearance, and environmental remediation. Such agreement may include terms and conditions consistent with the City's affordable housing policies.
- Any affordable housing project located in this tier shall be eligible to utilize the incentives allowed for and subject to the requirements under the 5<sup>th</sup> Tier; and
- Any commercial project located in this tier shall only be eligible to utilize the incentives allowed for and subject to the requirements under the 6<sup>th</sup> Tier.
- Use of a RAB may be permitted for infrastructure or related redevelopment uses as permitted by the Redevelopment Area Bond Financing Law N.J.S.A. 40A:12A-64 et seq. as incentive for projects in this tier.

Projects within the 1<sup>st</sup> Tier may be eligible for an additional 5 year term making the entire term of the abatement 15 years if the applicant commits to building additional onsite Moderate Income Housing units as follows:

- For projects that will set aside 5% of the total units built as onsite Moderate Income Housing as a condition of a zoning or redevelopment plan; or
- For projects that agree to set aside 10% of the total units built as onsite Moderate Income Housing absent any other onsite Moderate Income Housing obligations.

For those applicants electing the additional 5 year term, the total onsite affordable housing inclusion will not exceed 20% of the total units constructed. In the alternative, the applicant may be eligible for an additional 5 year term if it makes a voluntary contribution to the AHTF in the amount of \$15,000 per

unit for every unit that will be built on the site. However, any requirement to include onsite affordable housing that is part of a redevelopment plan can only be altered by amending the plan. All cash contributions are due and owing at the time the ordinance authorizing the PILOT takes effect, and are nonrefundable. Any obligation resulting from extending the term of the abatement is in addition to the standard AHTF obligations imposed by City ordinance, state statute or the Financial Agreement.

## **2<sup>nd</sup> Tier**

Projects that fall within the zone designated as the 2<sup>nd</sup> Tier on the Tier Map shall be eligible for a PILOT with the following terms:

- Term: 10 years;
- Annual service charge: 11% of annual gross revenues;
- County service charge: An amount equal to 5% of the City service charge to be paid to the City in addition to the City's service charge and to be remitted by the City to the County;
- Administrative cost charge: 2% of annual service charge;
- Financial Agreement;
- Compliance with applicable City ordinances, including affordable housing, PECA, PLA and Living Wage; and
- All projects that demonstrate they have exceeded the applicable hiring obligations contained in the PECA and/or PLA are eligible for a 1% reduction in the annual service charge for the entire duration of the abatement starting from when the project has made the demonstration and for as long as the project remains in full compliance with all applicable PECA and/or PLA hiring obligations. However, in the event that the project receiving the 1% reduction ceases to be in compliance the 1% reduction will be suspended, in addition to the imposition of other remedies.

Other considerations:

- Projects located within an area designated as a Redevelopment Area may be obligated to enter into a Redevelopment Agreement with the Jersey City Redevelopment Agency (JCRA) pursuant to its mission to undertake and/or assist with redevelopment projects with functions such as project facilitation, site assemblage and clearance, environmental remediation. Such agreement may include terms and conditions consistent with the City's affordable housing policies.
- Any affordable housing project located in this tier shall be eligible to utilize the incentives allowed for and subject to the requirements under the 5<sup>th</sup> Tier; and
- Any commercial project located in this tier shall only be eligible to utilize the incentives allowed for and subject to the requirements under the 6<sup>th</sup> Tier.

- Use of a RAB may be permitted for infrastructure or related redevelopment uses as permitted by the Redevelopment Area Bond Financing Law N.J.S.A. 40A:12A-64 et seq. as incentive for projects in this tier.

Projects within the 2<sup>nd</sup> Tier may be eligible for an additional 10 year term making the entire term of the abatement 20 years if the applicant commits to building additional onsite Moderate Income Housing (up to 80% AMI) units as follows:

- For projects that will set aside 5% of the total units built as onsite Moderate Income housing as a condition of a zoning or redevelopment plan; or
- For projects that agree to set aside 10% of the total units built as onsite Moderate Income Housing absent any other onsite Moderate Income Housing obligations.

For those applicants electing the additional 10 year term, the total onsite affordable housing inclusion will not exceed 20% of the total units constructed. In the alternative, the applicant may be eligible for an additional 10 year term if it makes a voluntary contribution to the AHTF in the amount of \$15,000 per unit for every unit that will be built on the site. However, any requirement to include onsite affordable housing that is part of a redevelopment plan can only be altered by amending the plan. All cash contributions are due and owing at the time the ordinance authorizing the PILOT takes effect, and are nonrefundable. Any obligation resulting from extending the term of the abatement is in addition to the standard AHTF obligations imposed by City ordinance, state statute or the Financial Agreement.

### **3<sup>rd</sup> Tier**

Projects that fall within the zone designated as the 3<sup>rd</sup> Tier on the Tier Map shall be eligible for a PILOT with the following terms:

- Term: 20 years;
- Annual service charge: 11% of annual gross revenues;
- County service charge: An amount equal to 5% of the City service charge to be paid to the City in addition to the City's service charge and to be remitted by the City to the County;
- Administrative fee: 2% of annual service charge;
- Financial Agreement;
- Compliance with applicable City ordinances, including affordable housing, PECA, PLA and Living Wage; and
- All projects that demonstrate they have exceeded the applicable hiring obligations contained in the PECA and/or PLA are eligible for a 1% reduction in the annual service charge for the entire duration of the abatement starting from when the project has made the demonstration and for as long as the project remains in full compliance with all applicable PECA and/or PLA hiring

obligations. However, in the event that the project receiving the 1% reduction ceases to be in compliance the 1% reduction will be suspended, in addition to the imposition of other remedies.

Additional considerations:

- Projects located within an area designated as a Redevelopment Area may be obligated to enter into a Redevelopment Agreement with the Jersey City Redevelopment Agency (JCRA) pursuant to its mission to undertake and/or assist with redevelopment projects with functions such as project facilitation, site assemblage and clearance, environmental remediation. Such agreement may include terms and conditions consistent with the City's affordable housing policies.
- Any affordable housing project located in this tier shall be eligible to utilize the incentives allowed for and subject to the requirements under the 5<sup>th</sup> Tier; and
- Any commercial project located in this tier shall only be eligible to utilize the incentives allowed for and subject to the requirements under the 6<sup>th</sup> Tier.
- Use of a RAB may be permitted for infrastructure or related redevelopment uses as permitted by the Redevelopment Area Bond Financing Law N.J.S.A. 40A:12A-64 et seq. as incentive for projects in this tier.

Projects within the 3<sup>rd</sup> Tier may be eligible for an additional 10 year term making the entire term of the abatement 30 years if the applicant commits to building additional onsite Moderate Income Housing (80% AMI) units as follows:

- For projects that will set aside 5% of the total units built as onsite Moderate Income Housing as a condition of a zoning or redevelopment plan; or
- For projects that agree to set aside 10% of the total units built as onsite Moderate Income Housing absent any other onsite Moderate Income Housing obligations.

For those applicants electing the additional 10 year term, the total onsite affordable housing inclusion will not exceed 20% of the total units constructed. In the alternative, the applicant may be eligible for an additional 10 year term if it makes a voluntary contribution to the AHTF in the amount of \$15,000 per unit for every unit that will be built on the site. However, any requirement to include onsite affordable housing that is part of a redevelopment plan can only be altered by amending the plan. All cash contributions are due and owing at the time the ordinance authorizing the PILOT takes effect, and are nonrefundable. Any obligation resulting from extending the term of the abatement is in addition to the standard AHTF obligations imposed by City ordinance, state statute or the Financial Agreement.

#### **4<sup>th</sup> Tier**

Projects that fall within the zone designated as the 4<sup>th</sup> Tier on the Tier Map shall be eligible for a PILOT with the following terms:

- Maximum term: 30 years;
- Annual service charge: 11% of annual gross revenues;

- County service charge: An amount equal to 5 % of the City service charge to be paid to the City in addition to the City's service charge and to be remitted by the City to the County;
- Administrative fee: not to exceed 2% of annual service charge;
- Financial Agreement;
- Compliance with applicable City ordinances, including affordable housing, PECA, PLA and Living Wages; and
- All projects that demonstrate they have exceeded the applicable hiring obligations contained in the PECA and/or PLA are eligible for a 1% reduction in the annual service charge for the entire duration of the abatement starting from when the project has made the demonstration and for as long as the project remains in full compliance with all applicable PECA and/or PLA hiring obligations. However, in the event that the project receiving the 1% reduction ceases to be in compliance the 1% reduction will be suspended, in addition to the imposition of other remedies.

Additional considerations:

- Projects located within an area designated as a Redevelopment Area may be obligated to enter into a Redevelopment Agreement with the Jersey City Redevelopment Agency (JCRA) pursuant to its mission to undertake and/or assist with redevelopment projects with functions such as project facilitation, site assemblage and clearance, environmental remediation. Such agreement may include terms and conditions consistent with the City's affordable housing policies.
- Any affordable housing project located in this tier shall be eligible to utilize the incentives allowed for and subject to the requirements under the 5<sup>th</sup> Tier; and
- Any commercial project located in this tier shall only be eligible to utilize the incentives allowed for and subject to the requirements under the 6<sup>th</sup> Tier.
- Use of a RAB may be permitted for infrastructure or related redevelopment uses as permitted by the Redevelopment Area Bond Financing Law N.J.S.A. 40A:12A-64 et seq. as incentive for projects in this tier.

### **5<sup>th</sup> Tier**

Any Affordable Housing Project located anywhere in the City will be eligible for a PILOT with the following terms:

- Administrative fee: 2% of the annual service charge;
- Financial Agreement to accord with either the Long-Term Tax Exemption (LTTE) law or the New Jersey Housing and Mortgage Finance Agency (HMFA) law usually 30 years; and



- A Project Employment and Contracting Agreement requiring the hiring of City residents and using of City suppliers.
- There are three categories of affordable housing projects: (1) Low or Moderate Income Housing projects defined under State or Federal law; (2) mixed income projects; and, (3) project-based Section 8 projects:
  - Low or Moderate Income Housing Projects:
    - 100% of the project for the entire term of the PILOT is for exclusive occupancy by households with gross household income not to exceed 80% AMI for households of the same size within the housing region (“Affordable Units”).
    - Projects with 100% Affordable Units applying under the LTTE or HMFA law will be treated the same<sup>1</sup> and shall be eligible for a PILOT with the following minimal terms:
      - Exemption term coterminous with the HMFA mortgage, or for LTTE projects, the length required to satisfy the terms of the State or Federal Affordable Housing financing or otherwise required by law. In either case the term shall not exceed the duration of the affordability controls;
      - Annual service charge: 5% - 8% of annual gross revenues; and
      - Administrative fee of .5% of annual service charge.
  - Mixed-Income Projects:
    - Projects with a minimum of 20% deed restricted Affordable Units for the term of the tax exemption shall be eligible for a PILOT with the following minimal terms:
      - Exemption term coterminous with the HMFA mortgage or, for LTTE projects, the length required to satisfy the terms of the State or Federal Affordable Housing financing or otherwise required by law. In either case the term shall not exceed the duration of affordability controls;
      - Annual service charge:
        - 5% - 8% of annual gross revenues for the Affordable Units.
        - a percentage of annual gross revenue for the market rate residential units, depending on Tier in which the project is located
      - Administrative fee: .5% of annual service charge; and
    - The number of Affordable Units as well as verification of income eligibility for all occupants in Affordable Units must be certified to the City annually.

Additional considerations:

- Contributions to the City’s AHTF will not be required.
- Any affordable housing project that includes a commercial component shall be eligible for a PILOT on the commercial component only at 10% of annual gross revenues for the same length of the TA on the affordable housing.

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<sup>1</sup> Projects seeking exemption under the HMFA will require an HMFA mortgage as required by the governing statute.

- Projects located within an area designated as a Redevelopment Area may be obligated to enter into a Redevelopment Agreement with the Jersey City Redevelopment Agency (JCRA) pursuant to its mission to undertake and/or assist with redevelopment projects with functions such as project facilitation, site assemblage and clearance, and environmental remediation. Such agreement may include terms and conditions consistent with the City’s affordable housing policies.
- Use of a RAB may be permitted for infrastructure or related redevelopment uses as permitted by the Redevelopment Area Bond Financing Law N.J.S.A. 40A:12A-64 et seq. as incentive for projects in this tier.

## **6<sup>th</sup> Tier**

### 6A – Hotel Projects:

Any hotel project shall be eligible for a PILOT with the following terms:

- Maximum term: 30 years;
- service charge of:
  - 11% of annual gross revenues; or,
  - 3% of Total Project Cost, as more specifically defined by statute and Marshall and Swift.
- Administrative fee: 2% of annual service charge;
- Financial Agreement;
- Compliance with applicable City ordinances, including affordable housing, PECA, PLA and Living Wage; and
- All projects that demonstrate they have exceeded the applicable hiring obligations contained in the PECA and/or PLA are eligible for a 1% reduction in the annual service charge for the entire duration of the abatement starting from when the project has made the demonstration and for as long as the project remains in full compliance with all applicable PECA and/or PLA hiring obligations. However, in the event that the project receiving the 1% reduction ceases to be in compliance the 1% reduction will be suspended, in addition to the imposition of other remedies.

Additional considerations:

- Terms and conditions including the duration, the amount of the annual service charge and administrative fee, may be negotiated by the Mayor subject to the terms and conditions and other guidance provided in the LTTE law and City ordinances; and
- Projects located within an area designated as a Redevelopment Area may be obligated to enter into a Redevelopment Agreement with the Jersey City Redevelopment Agency (JCRA) pursuant

to its mission to undertake and/or assist with redevelopment projects with functions such as project facilitation, site assemblage and clearance, and environmental remediation.

- Use of a RAB may be permitted for infrastructure or related redevelopment uses as permitted by the Redevelopment Area Bond Financing Law N.J.S.A. 40A:12A-64 et seq. as incentive for projects in this tier.

#### 6B – Commercial & Industrial Projects:

Any commercial or industrial project, as defined by statute and that will employ more than 25 full time permanent employees, located throughout the City shall be eligible for a PILOT with the following minimal terms:

- Maximum term: 30 years;
- Service charge: 10% of annual gross revenues;
- Administrative fee: 2% of annual service charge;
- Financial Agreement; and
- Compliance with applicable City ordinances, including affordable housing, PECA, PLA and Living Wage.

#### Additional considerations:

- Terms and conditions including the duration, the amount of the annual service charge and administrative fee, may be negotiated by the Mayor subject to the terms and conditions and other guidance provided in the LTTE law and City ordinances; and
- Use of a RAB may be permitted for infrastructure or related redevelopment uses as permitted by the Redevelopment Area Bond Financing Law N.J.S.A. 40A:12A-64 et seq. as incentive for projects in this tier.

#### **Staged Adjustments:**

All staged adjustments required pursuant to N.J.S.A. 40A:20-12(b)(2) shall be based on the term of the PILOT and shall be phased in as follows:

#### Term of 10 Years:

- Phase one: Years 1-6: Annual Service Charge (ASC)
- Phase two: Year 7: Greater of ASC or 20%
- Phase three: Year 8: Greater of ASC or 40%
- Phase four: Year 9: Greater of ASC or 60%
- Phase five: Year 10: Greater of ASC or 80%

#### Term of 20 Years:

- Phase one: Years 1-6: ASC

- Phase two: Years 7-9: Greater of ASC or 20%
- Phase three: Years 10-12: Greater of ASC or 40%
- Phase four: Years 13-16: Greater of ASC or 60%
- Phase five: Years 17-20: Greater of ASC or 80%

Term of 25 Years:

- Phase one: Years 1-6: ASC
- Phase two: Years 7-10: Greater of ASC or 20%
- Phase three: Years 11-14: Greater of ASC or 40%
- Phase four: Years 15-20: Greater of ASC or 60%
- Phase five: Years 21-25: Greater of ASC or 80%

Term of 30 Years:

- Phase one: Years 1-9: ASC
- Phase two: Years 10-13: Greater of ASC or 20%
- Phase three: Years 14-17: Greater of ASC or 40%
- Phase four: Years 18-21: Greater of ASC or 60%
- Phase five: Years 22-30: Greater of ASC or 80%

### **Review of Policy**

A standing committee appointed by the Mayor shall review the Tier Map and policy as needed to ensure that each area is receiving the appropriate level of incentives and to ensure that the Policy and term extension structure are correctly attuned to the market to foster the desired amount of development. This committee shall be called the JC Tax Exemption Review Committee and shall issue recommendations to the Mayor.

### **Enforcement**

Proper enforcement is critical to ensure the City is receiving all benefits from PILOTs it is due under the law and pursuant to the terms of the Financial Agreements. This includes enforcement of Project Employment and Contracting Agreements, Project Labor Agreements and Living Wage Ordinance. Enforcement will include annual audits by the City to ensure the City is receiving the full amount of the PILOT as well as its annual payment of excess profits. Enforcement will further include monitoring projects to ensure construction is completed within a reasonable period of time after a PILOT is awarded. Projects which have not commenced construction within 2 years, for example, should be reviewed to either amend the terms of the Financial Agreement, or in certain cases, terminate the Financial Agreement.

Consistent with its financial agreement practice, the City will require projects to submit to the Mayor and the Municipal Council an auditor's report, an audit of the project cost, a disclosure statement listing persons having an ownership interest in the project, and allow upon request examination and audit of its or its affiliates' books, contracts, records, documents and papers.

Enforcement of PLAs and PECA agreements shall be overseen by the Abatement Compliance Office as well as the Tax Collector's Office and in conjunction with the Corporation Counsel's office.

All onsite affordable housing obligations resulting from a PILOT shall be restricted by deed or agreement for at least the entire term of the Financial Agreement. Failure to comply with any aspect of an onsite affordable housing obligation shall result in either a payment to the AHTF or termination of the Financial Agreement.

### **Modifications or Amendments to Existing Financial Agreements**

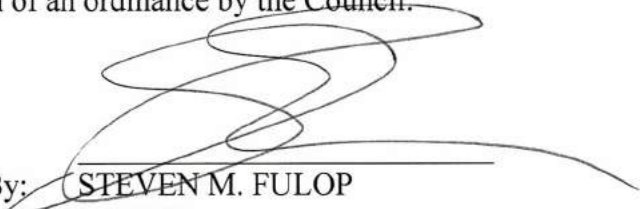
The Executive Order and this companion PILOT Policy are prospective. Accordingly, other than the review, enforcement sections herein and in the Executive Order, the within terms apply only to future PILOTs and related Financial Agreements. Amendments to existing Financial Agreements must be negotiated in accordance with the terms of their agreements and state law.

As a practical matter, to effectuate modifications or amendments to existing Financial Agreements, an Entity must first submit a written request in the form of an application, accompanied by the applicable fee, to the Mayor's office. If acceptable, the Mayor will issue a recommendation to the Municipal Council, which will be submitted in conjunction with an ordinance recommending the modification or amendment. An application to modify or amend an existing Financial Agreement must provide an explanation justifying modification or amendment.

### **Approval**

The Mayor's recommendation shall accord with the within Policy and Executive Order. Approval does not become final until adoption of an ordinance by the Council.

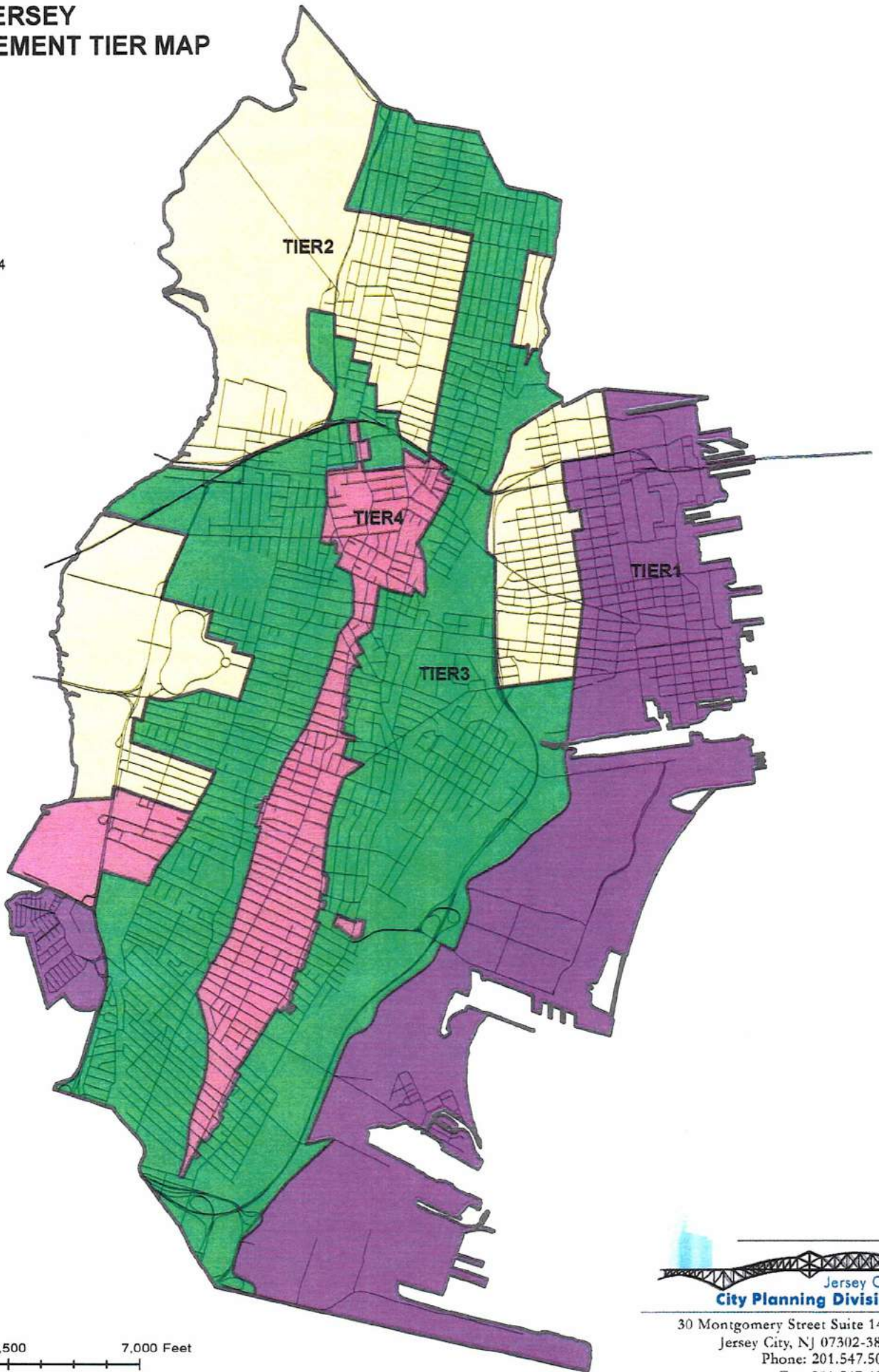
September 3<sup>rd</sup>, 2015

By:   
STEVEN M. FULOP  
MAYOR

# CITY OF JERSEY TAX ABATEMENT TIER MAP

-  Tier 1
-  Tier 2
-  Tier 3
-  Tier 4

August 4, 2015  
Numbered Map: 614



1 inch = 3,500 feet

0 1,750 3,500 7,000 Feet

  
Jersey City  
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