

March 20, 2023
121 Evergreen Rd
New Egypt, NJ 08533

The Plumsted Township Committee Special Meeting Workshop for the Pilot Program for the Venue at Longview of March 20, 2023 was called to order by Mayor Bowen.

STATEMENT: "This meeting is being held in compliance with the Open Public Meetings Act." It was presented for publication to the Asbury Park Press and posted on the Bulletin Board.

THOSE OFFICIALS PRESENT:

COMMITTEEMAN CUOZZO COMMITTEEMAN GRILLETTO
COMMITTEEMAN HAMMERSTONE DEPUTY MAYOR MARINARI MAYOR BOWEN
CFO GOWER ATTORNEY CIPRIANI ATTORNEY JESSUP SECRETARY MACREYNOLDS

Steve Grosso and Mike Ruppel from the MUA were also in attendance.

Mayor Bowen asked everyone to rise for the flag salute followed by a moment of silence.

Bowen advised that two members of the committee need to depart at 7 pm so that will be the hard stop for this evening. He said they are grateful for everyone coming out and are looking forward to the discussion this evening.

Bowen said that at the March meeting, it became clear that more information and more interaction was needed than the 5 minute public comment period allowed at the monthly meetings. That is why it was decided to have a separate meeting and, hopefully, it will be a productive time.

To review, the PILOT program was used to allow for the installation of a wastewater collection and treatment system that was financially viable for the township and would be in place when the first homeowners moved in at Lennar's new development. To create the PILOT program, the township asked experts to create a model based on the best projections for expenses and revenues at the time that would be approved by the township, Lennar, and the State. Some of the projections are updated every six months in discussions within the committee and with Lennar residents. It was decided this would be an appropriate time to reassess our projections and model based on current information. We are joined this evening by our Township Attorney Jean Cipriani, as well as our Redevelopment Counsel Matthew Jessup. Also, CFO Sharon Gower is here.

Since we began our discussions, we have been able to answer some of the questions, while others remain unanswered. We can confirm that Lennar has used the same contract throughout their sales process. We confirm that the contract contains a separate section, Section 15, "Annual Service Charges Real Estate Taxes," that specifically answers the PILOT program, the five-year discount, followed by full annual service charges for PILOT payments for the remainder of the thirty-year PILOT, and that the township and the developer had entered into a financial agreement. The entire financial agreement is Exhibit 10 in the Lennar contract.

Some unanswered questions are the distribution of the Township's PILOT program information sheet, the use by Lennar of the effective tax rate and estimated annual service charge when the

State advises that the effective tax rate is not to be used when computing the tax bill. Finally, the treatment of the PILOT programs by the State in regard to property tax discounts. We continue to work with Lennar and the State to answer these questions.

At our township committee's March meeting, Mr. Griffo submitted a chart to the township and summarized it during our public comment. Committeeman Grilletto and I met with him for about an hour last Friday to review his data and we have invited him to return to present his information this evening.

Bowen said that this evening our format, rather than like our monthly meetings, is more open and people will have an extended time to come up and make their presentations. Then there will be comments from the committee, our experts if they would like, and they will follow at the end with our formal public comment closing promptly at 7 o'clock.

Committeeman Cuzzo said that he and Grilletto met with the residents to begin this whole process. Cuzzo said he was not informed of the meeting with Griffo on Friday. He was glad that Griffo was able to meet with some of the committee, but was sad that he was not informed of that meeting because he would have loved to have been part of it.

Dominic Griffo, 18 Emerald Drive, New Egypt, said that what he is going to read is basically the same information that was presented to the committee at the last meeting and also at the meeting with Bowen and Grilletto last week. Griffo presented documents (A-1 & A-2) to the committee, which are attached to these minutes. He read A-1 to the committee.

Bowen asked for questions from the committee.

Bowen asked if anything was presented to Griffo about the PILOT program or limitations of the program during attorney review of the Lennar contract. Griffo said there was no disclosures of risk or anything brought forward or noted in the attorney review process.

Grilletto asked if his attorney explained the PILOT program to him during attorney review.

Griffo said there was no disclosure of risks in the contract related to the PILOT program. Without the disclosure of risk, he did not know how his attorney could bring that forward. There are disclosures of risk for the development and the community being built by a military base. There are disclosures of risk in the documents for this community being an active construction community. There were no disclosures of risk relative to the PILOT.

Grilletto asked if anything was mentioned about the PILOT program in the contract or the proposal he was given. Griffo said yes, PILOT was mentioned as an example showing the revenue projections.

Grilletto asked if they mentioned that you were not eligible for veteran's tax deduction. Griffo said no...as a matter of fact, the salesperson quoted an effective rate versus a general rate. Again, if this whole proposal is based on an effective rate, then there clearly needs to be some adjustment. Especially since now we are working off of a general rate, which is about 35% higher.

Grilletto asked if they mentioned anywhere in the contract or the notice about the PILOT program or that you would not be receiving any benefits such as Homestead Rebates, etc.

Griffo said no, that was never discussed. As a matter of fact, he had to go on the township website in the MUA section to be able to find any documentation on the PILOT. The MUA section had a document that outlined PILOT and what you are entitled to and what you are not entitled to. It is almost like...you joined the PILOT program...congratulations...you just gave up all your rights.

I understand that there was a need and I understand that this was a means to achieve that need, and at the time it was based on certain parameters and certain information that was available. Griffo said he was shown a document that projects out that there will be a surplus of revenue in excess of \$77 million after these debt obligations are satisfied.

Griffo said his analysis is understated. The PILOT was set up for a wastewater treatment sewer plant and to revitalize the downtown through that infrastructure. There is a considerable surplus here.

Griffo said, in his opinion, governing bodies have two major responsibilities. Number 1, provide protection for their citizens and the people that they govern and number 2, create efficiencies for them. He is not saying that that did not happen here...maybe a part of it did. But there is still a piece that needs to be addressed. That is why we are here this evening.

Griffo said he has offered several options that he thinks are reasonable and that he believes satisfy the needs of what this PILOT is set up for. He is hopeful that we could move forward in such a direction. He knows that, right now, his analysis is based on the thirty year life of the PILOT with 452 homes participating. He knows that at the close of 2022 there were 207 reported homes in the books. There were 60 to 70 additional signed contracts at that time. The development is, for all intents and purposes by the end of this year, over fifty percent sold, and they are continuing to sell.

Griffo said he understands that the township may feel that there are some risks. He gets it. What happens if the bottom falls out and another house is never sold? That is a problem, right. But, if we mislead people into this type of a program, you are going to have people running and not wanting to come here...and that is a bigger problem. I sit here in front of you asking you to strongly consider doing something to fix that.

Grilletto asked if information regarding the PILOT program is being disclosed to prospective buyers for new sales.

Griffo said that prior to doing his analysis a few weeks ago he went into the sales office to find out what the ratio of homes were. Single family homes; carriage homes, which are two units; and townhomes, which are three side-by-side homes. He wanted to get a handle on what the revenue structure, or what the revenue, would look like. He is not that far off. He is coming in at \$105 million and that is based on everything remaining constant as it is today.

Griffo said that we know no one paid fifty-five percent of 2.07. We know that did not happen. We know that the rate after this year...because this year it is 2.77 up from 2.673...we know when we get our August bills, we will be pushing north of 2.8. I am showing 2.8 on my analysis. He said Grilletto showed him a document that there will be a \$77 million surplus after debt obligations are satisfied. Debt obligations include the cost, the bond interest, and the obligation to the county, which is their five percent off the top.

Griffo said that he is not even talking about the permit fees of roughly \$19,000 per household that is built into the cost of our homes. That will amount to \$9 million that will get funneled into the township. Where it is going to be applied, how it is going to be applied, he does not know yet. At some point, maybe that will come clear. He understands that there is a need to make sure that the system is properly funded and properly supported, so that 10, 15, 20, 25 years down the road, the township is not sitting with another group at that time, scratching their heads, thinking where are we going to get \$35-40 million to revamp this thing.

That is what brings him here tonight. That is what brings his neighbors here tonight. Unfortunately, that is what has forced the township committee to be here tonight, away from their families, to deal with this. Again, no one is here passing blame, making criticisms, or passing judgment on anyone. We are just asking for this thing to be properly addressed. That is all.

Bowen asked if there were any questions.

Cuozzo said it was nice to see Griffo and was glad that he came to the meeting. Cuozzo said he will say the same thing that he said to the gathering at the clubhouse. Once he found out exactly what was going on, his short-term priority is to get the disclosures to line up with what is actually happening. He thinks it is the duty of the township.

Cuozzo contacted Mr. Calabro and asked him to come to tonight's meeting, but he was not able to come. Calabro sent Cuozzo the current disclosures and that is how the township found out that it was not showing the correct rate. His first objective is to make sure the disclosures are lining up the way they should be. He said that maybe a risk disclosure can be included. The finance office has put together a very good document. He would like that to be given to everybody beforehand so they can actually get a true picture of what they are entering into. His short-term goal is that the rates, disclosures, etc. be accurate.

Cuozzo's long-term goal is to change what is in place right now. He has spoken to Attorney Matt Jessup about the legalities of doing so. He is still waiting on an answer from Jessup about what exactly the township can and cannot do. Once the township has those legal answers he wants to run the numbers because the township does not want to be penny wise and dollar dumb. He would like to make sure the township is doing the right thing.

Cuozzo said the long-term goal is the residents in the Lennar facility. Since they cannot take advantage of what is being offered to other folks because they are paying taxes and Lennar is paying a PILOT payment in lieu of taxes. That is something different. The freeze, the veteran's discount, the Homestead Rebate...it is not fair for some folks to be able to take advantage of those things and folks entering into a PILOT that was not fully disclosed...that those exemptions are not being offered...

Cuozzo said he has another goal. He has talked to Sharon in the Finance office. He wants it to be simple. He does not want it to be complicated. He appreciates what Griffo is proposing and it will be considered. He spoke to Steve Grosso, who will run the numbers for the township. The township has debt obligation, maintenance obligations, etc. His goal in the long term is to make it fair and simple, and that it will not be difficult for the mortgage companies to deal with the Finance office.

Cuozzo said he appreciates what Griffo has offered and appreciates everyone coming tonight. Cuozzo wants to hear back from the township's lawyer as to what exactly can be done, if anything can be altered. He wants to run the numbers on those things and make some kind of proposal to alter it. At least the disclosure part. Hopefully it is something that will make the deal that is being offered fair.

Griffo said that the way the deal is structured now, it is a double standard. Not to bash anyone, the deal was formulated, constructed, thought out with the facts at the time. He was not here. He appreciates the fact that Cuozzo and Grilletto recognize something needs to be done. He respectfully asks them to make sure it stays simple because there is no value for the township to take twenty dollars from me today only to give me back ten in six months. That does not create efficiency. That adds cost and, instead of moving us forward, takes us steps backwards.

Bowen asked if there were any other questions or comments.

Cuozzo asked Denise **(in the audience--no last name given)** for a copy of the comparative analysis she prepared and presented to the committee the other night about how if you were in a tax situation over the course of thirty years, this is what you would be paying. He really liked her analysis.

Denise said she was never given anything about disclosure. She was told that she cannot get the thumb drive that has the documents until after she signed the contract. She said a small paragraph was buried in seventy to eighty pages of documents. The way that you know that it was not disclosed properly, it says our mortgage companies were supposed to have resolved the issue of paying for PILOT before we closed on the mortgages. It was not done, because the issues with the mortgage companies are coming up after we close. Our mortgage companies do not know about it.

Denise said she knows her attorney said PILOT was not mentioned in the documents. She did not know what a PILOT was and did not care. She saw a sign that said "5 year tax abatement," and she thought good...any money she can get for five years is great. There was no mention of what this meant to her down the road. Having looked at PILOTS...everything she has looked at in New Jersey says it has to be in urban areas which need revitalization.

Denise said it is particularly punitive when you get a senior community whose income is even more limited five years down the road. She said she will be honest, she will not have a lot of job opportunities in her 70s to earn money to make up the difference.

Denise said the rate she was quoted was 2.07. That is the rate she used to calculate her taxes. She knows they can go up a little, but she was not expecting what happened. She used Anchor for the comparison she gave to the committee. She particularly anticipated having the opportunity for senior freeze when she bought her house because she and her husband both qualify. To find out she does not have that throws off the planning they made on a fixed income. She is not going to go out in her 70s and get a job. The PILOT was not disclosed.

Denise said she does not speak for other people because maybe some people got their funds out ahead of time. When she asked for it, she was told "after you sign the contract." It is buried in the HOA rules. If you do not know to look for PILOT, you are not even going to know what it is unless you read seventy pages. It was a challenge. She did not find it until after she closed. She saw PILOT and said "what is that?" She was given the information after she signed her contract.

after attorney review. She knows her attorney would have brought it up. She knows her mortgage company would have known about it if things were done based on what she was told was supposed to happen. Now she knows in retrospect what is supposed to happen and it did not.

Bowen asked if she had the information on the thumb drive before she went to attorney review. There was no response from Denise.

Grilletto asked when she bought her home. Denise said she closed in June of 2022. Grilletto said the township provided a form to the sales office. CFO Gower said finance prepared documents and suggested they go with the contract. Grilletto said the form should have been attached to the sales contract.

(Many people were talking at the same time and it was hard to hear what each person was saying.)

Bowen said the PILOT information sheet was created by finance in early 2020. It was the understanding of the township that it would be included in the sales kits. Gower said it was given to sales officers at Lennar to give to prospective buyers. Grilletto said they should have attached the form to the full disclosure and the contract. Real estate in New Jersey should have full disclosure and a plain language contract.

Griffo said Lennar would not give you anything until you came in with a \$10,000 check, which would allow you to sign the contract. The price that they gave you was written on a piece of paper. When you went back two days later, it was up by several thousand dollars.

Bowen asked if there were any other questions.

Alfred Mancuso, 48 Churchill Boulevard, New Egypt, NJ. He was one of the first homeowners to close. The first time he saw that letter was when the finance department sent him a sheet for some general information that came from the Plumsted Municipal Utilities Authority. That was the first time that he actually saw something about what he was entitled to or what he was not entitled to.

That is when he started doing his research. The only place to find the document was on the MUA website. Grilletto asked when that was. Mancuso said they signed September/October 2020. Grilletto asked when he got the information from finance. It was in the first quarter...in March 2021.

Mancuso said the sign that is still out there is false advertising. It says "tax rebate," not "PILOT rebate." When he spoke to the sales people, they said this is the "tax rate." They did not say "this is the PILOT program charge." They said "you will only pay 55 percent of the current tax rate." Everything was "tax" and "tax rate."

Mancuso originally had Lennar's mortgage company. Nowhere in their documents did it say "PILOT program." It said "we are collecting your payments for your taxes in escrow." They never mentioned "your PILOT." He said "taxes." Every document said "taxes." Maybe a mortgage company did not know PILOT programs. This is Lennar's own mortgage company. You would think they would know what the other end of the horse is doing.

Bowen asked if there were any questions. There were none.

Robert Welsh, 18 Aqueduct, New Egypt, NJ. A couple of points when we are talking about what disclosures we got and did not get. He received a document of 430 pages. He believes it was signed after the contract, but prior to the closing. Page 372 (he said he is making this up) of the 430 page document went on to say that because this is not taxes you cannot appeal it. That was it. On the first page of the public offering statement...bond counsel you are probably aware of this...it went on to say something...something...something...then it went on to say the PILOT program. Do not make your decision based on the benefits of the PILOT program. So, we are being told do not make your decision on the benefits, but nothing in regards in what the potential negatives were.

Welsh said he thinks there are a lot of disconnects with everything. This is not something that the township said "let's do this." What he does question is going back to 2002. Why in the world would the township come out with an over 55 development when you are dealing with these type of PILOT programs.

Welsh said it is his understanding that a PILOT program was really designed for rentals...it is really more for multi-family transactions where the sponsor gets a thirty year tax abatement. The township got what they bargained for and the sponsor got what they bargained for. The disconnect is that it stops after five years. That is where the township is getting a windfall of \$77 million.

Welsh said a traditional PILOT program does not end at the end of the five year tax abatement period. It goes on for the entire length of the thirty years. Also, with a benefit to the sponsor for multi-family. That increases the value of the property dramatically because they are paying 2 percent of their gross tax income for taxes, rather than a tax payment. Multi-family properties are traded and valued on net interest income and net operating income. When you are paying less taxes you are getting a higher return and you can sell the property for more or you can borrow against it.

Here, this was not a multi-family...this is a one-off transaction where somebody is buying an end unit, and that is it. They get a "tax abatement for five years" and then there is no benefit at all.

We have beaten this to death. He thinks the committee understands what the concerns are...he thinks the committee has listened...he thinks Cuzzo has done a fantastic job on this. It is now up to the committee. Does the committee have any recommendations? Has the committee thought this thing through?

Welsh said he knows the committee is waiting for legal...but let us put legal to the side for a second...let us talk about accounting...let us talk about treasury functions...and let us talk about money. The township is going to have a pot of money to distinguish the way it wants. From what he understands, it is all discretionary. The excess money after debt service...and he knows there are certain things in the bond documents that are going to call for some of this being held...the township is going to have excess money...the township has the discretion that it can do two things fairly easy to get everybody where they need to be today.

Welsh said if you take the projections...what they were and what they were not...and put that to the side...let us forget about the projections....right now, the township has excess funds coming in...and the township will have excess funds coming in based upon what the present tax rate is

and what the present assessed value is...why not freeze that? Why not give us the benefit of a senior freeze without going through the state and doing it through the township. Why not freeze his current tax rate? The township is still getting the money, but the benefit that we thought we were going to get, a senior freeze, is back because the township froze it...and that becomes a benefit for all of us.

Welsh said there are four things that we are losing today. One, we cannot appeal...it is already frozen. The second thing we are losing out on is the ability to deduct for New Jersey taxes...not a big deal...Welsh does not think anybody is going to lose sleep over it. The other was the Anchor. It is \$1500 a year. Why not at the end of year, instead of a fifty-five percent discount, it is now an eighty-five percent discount...that fifteen percent gets everybody around that \$1500. You still have, rather than \$77 million dollars in excess, the township is probably down to about \$62 million in excess...but you still have it...two very simple changes that you need to make.

It is not a legal issue. It does not have anything to do with the bond. It does not have anything to do with the PILOT program...this is now the township's treasury money that is coming in...those two things, as minor as they appear, gets us all where we need to be. Again, it is not taking anything away from anybody else. It is not creating a new legal document. It is not saying what Lennar did or did not do...it is not to say what the township should have thought of when they were thinking about going 55...it gets everybody on an even playing field.

It does not cost the township anything. The township is still getting excess money of about \$55 million over this time period. We can now sit here and be at peace knowing that we have a freeze...that is what we thought we were going to get. And also by doing an eighty-five percent assessment against the assessed value we are picking up that \$1500.

He said he thinks those things are very simple. He thinks it is not very difficult. We talk about keeping something simple. How much work could it be when those two things change? We do not have to worry about okay, you are going to give us credit for this...you are going to give us credit for that...Welsh said he thinks that is two really easy solutions and it gets everybody where we need to be.

Cuozzo thanked Welsh. Cuozzo said one of the proposals we came up with in our meeting with Neal is to freeze the rate, changing what the rate went up to and when it went up. So, freeze it where it was and then change the percentages. Do it more to scale and maybe not even go up to one hundred percent, depending on how the numbers came out. The finance department was happy with that style of fairness because it kept it simple. Cuozzo said that is something he was proposing and considering. He does not think the numbers have been run yet...Welsh is definitely on track with what he is requesting.

Welsh said let us make sure the full disclosure comes out next time. Let us give people the sheet. Think about that for a second. Aren't we now going to be in a tougher situation for these people? Are they going to buy? What is going to happen to the value of our homes? What is going to happen to all the things that we were concerned about in five years? We are going to make sure it happens sooner? That is why he really, really pleads with the committee to come up with a solution quickly, rather than wait five years and figure it out. The sooner that the committee can come up with something that is fair, the sooner that the committee can come up with something it believes is fair is to us as well as the township.

The full disclosure needs to be given to the new person buying a unit today. Because they are going to have the same concerns. They are going to come in and say I have five years, then what happens? You are putting away the doubt if you can come up with a plan. If you believe it is going to be a doable solution. Let us get it done now, so then the next one that they sell, at least there is an answer. Here is the disclosure, here are the things you do not get, but here is what the township has done to take that into consideration.

Anything that can be done to expedite this, anything that can be thought of that pushes this quicker, the better it is going to be for everybody in the community...the better it is going to be for anybody buying. Also, if someone is selling a unit today...let us talk about real estate disclosures...you have to disclose this. If I am selling my house today, I have got to disclose this. You really should. He does not know if anyone is not going to do it. It is a risk. The risk was buried on page 320 that residents cannot appeal this. Again, these are easy solutions. Anything we can do to help get the committee there, we will do.

Bowen asked for questions or comments. There were none.

John Lombardo, 6 Gulf Stream Road, New Egypt, NJ, thanked everyone for taking the time to come out tonight. A lot of questions were brought up tonight and issues that the committee has heard from us. He was involved in the beginning. We see the overall picture as to what could happen from year six to thirty. There have been some great proposals put out there.

Lombardo said there are a couple of things that he wants to get clarification on which have not really been talked about. Let us start with the rate...the 2.07 rate that was given to most of us when we first came in. What is the rate made up of? Is it a state tax rate?

What confuses him is that they are not paying taxes to the state. They are paying their service fees to the township at a ninety-five percent rate. Five percent goes to the county. In normal cases, if they were paying their *taxes*, like the people inside the town are, only approximately 10.8 percent of that rate would go to the township, along with other services that the township offers. If they are not paying a state tax how was a starting point rate developed? What is in that rate if it is not a tax rate because we are not paying a tax...we are paying a service fee.

Most of the residents who have been here for two years or longer have seen their service fee go up approximately \$700 because the rate went up. Lennar is a different PILOT program scenario because we are a 55 and over gated community; we have no effect on the school system, there is no law that says any portion of any dollars of any type of PILOT program money has to go to the schools.

We know that the PILOT program money basically goes to pay the debt service. Someone had to have a starting point with a rate. How was that rate developed, and what is in that rate since it cannot be called a tax because we are not paying "tax." We are paying "service fees."

We are a new community that came in...it cannot affect the schools, normally the services would be everything else...and then we are told our assessed value times the rate would be what we would have to pay in our service fee.

Lombardo said he thinks that what should have been explained to a lot of them that was not clearly explained was a) how the rate was developed; b) how the assessment was developed; c)

how long is the assessment going to be in place...what is the future going to look like as far as how often we will be assessed...we do not know how frequently the rate is going to change...

Lombardo said they are asking for the rate to be frozen. What is the proper rate to freeze? If we are not paying a tax to the state and the township is telling us the assessed value is based on this rate, how is the rate formulated? Now, in most cases when a tax rate is developed does it not include all of the services that the township has to pay for them?

Over sixty-one percent of the taxes in this town goes toward the schools. We have no effect on the schools. So if you pulled sixty-one percent out of our tax rate, that reduces it tremendously and that would be fair because we have no bearing on the school system whatsoever. There is nobody in our development that can go to the schools. That is another way to look at this and to say that we are at a disadvantage with that.

He understands the township had concerns about the people who live in the town...that they would have that we pay fifty-five percent instead of one hundred percent over the first five years. What is not told, and the true fact is if we were able to have the freeze in effect and keep all of the other benefits, it would be different.

Do not forget that there are a lot of people inside the town that are exempt from taxes because of farms and trailer park homes, etc. They are, and have been receiving, the benefits that we are not able to achieve now because of the situation we came into.

Again, it is different and unique from any other PILOT programs in the sense that you have a brand new 55 and over restricted community coming into a township that is structured entirely different.

Just like this affects the PILOT program it also has an effect that he has been complaining about for months, about the sewer. It is two different entities. We are separate and we are asked to share in a cost in a totally different set of demographics between the town and the development. What he is trying to say is, unfortunately we are all in this situation together. There has to be a fair way to resolve it.

The most important thing that most of us are concerned with...a lot of us are retired...we are on fixed incomes...the way it is set up presently, it is going to cause a lot of us to make decisions in our lives that we did not want to deal with again. We moved out here to retire and enjoy ourselves. We love the community. We love the people. The best in the world...very caring...very giving.

It is important to understand that we are all in this together. It is not us against them. Everybody should be treated equally. The way things are structured, it brings the perception on both sides that we cannot get what they have. We need to come together and figure it out. Do it right and in the end, we will all be happy.

The main thing is, we are seniors, and if we do not try and correct it now, it is going to harm us financially in the future. Some of us may consider putting our homes up for sale. If it is not corrected, who is going to want to come out here after year five and pay \$15,000 in taxes for these homes? You are going to have a hard time selling your home. It is going to cause us harm in a lot of different ways...the value of our homes...trying to sell it...if we cannot afford to pay

it...we just ask if you would kindly consider this. Thank you for coming. He enjoys getting to know everybody. Let us hope that we can resolve this.

Bowen asked Attorney Jessup to address the issue of general tax rate versus effective tax rate.

Jessup said it is a little bit confusing. The tax rate that is used to compute your PILOT is the exact same tax rate that the township sets for every other property owner in town. They are one and the same. It is confusing because that is the "tax rate," and to Lombardo's point, he is not paying a tax...he is paying a payment in lieu of tax. Nonetheless, the math that is used to determine your PILOT is based on the exact same tax rate that the township sets for every other property owner in town.

That tax rate is the collection of the township taxes, the board of education taxes, the county taxes, open space tax (if collected), library tax, fire district tax...your traditional tax bill wherever you live in New Jersey has all of those components to it. All of those add up get to a tax rate.

Your tax rate is exactly the same as the resident who lives outside the community. So they take the tax rate against the assessed value of the property and they come up with a tax bill. For everybody else, they pay 100% of the tax rate times the assessed value. In your case, for the first five years, you pay the tax rate times your assessed value times 55 percent, and your discount gets applied.

Your math starts with paying the exact same amount of taxes that you would if you were conventionally taxed like every other property owner. Then the discount is applied. The school taxes are in every tax rate, regardless of whether a resident has children in the school system. As long as you live in any town in New Jersey, you are paying the same school taxes whether you have five kids in the school or zero kids in the school.

Lombardo asked if the township has the discretion under the PILOT program to waive the money that would have been paid to the schools. Jessup said that the PILOT payments using the formula he described was a policy decision made by the township. That is not set by statute.

Bowen said part of the confusion is that in the documents that Griffo provided us, when they give estimated annual surcharge for some reason the multiplier was the effective tax rate instead of the general tax rate.

Lombardo asked if the difference could be explained. Jessup said he does not know why it was done that way because he cannot speak on behalf of Lennar, but the concept in the financial agreement from the beginning was that it is a percentage of otherwise applicable taxes, which would be the general tax rate.

Grilletto asked if it is legal for the township to pay a percentage of the money the people have been asking for. Are there any court cases involved with that? Would we be reprimanded for discriminating in our tax basis? That is a very important issue. He would like to have the answer that was requested two weeks ago. Is there any legal basis so the township can do that or will the township be cited for discriminating against other people in the township on a tax basis?

Jessup said he wants to be careful about giving legal advice in a public setting as opposed to an executive session, so that the committee can ask questions and ultimately make any policy decisions they want to make in light of hearing everything they have heard today, and in the

past. He thinks that is pretty important. Second, he thinks that as things stand today, there should be excess PILOT revenue over and above what is necessary to pay for the debt service on the wastewater treatment plant and collection system, and the associated reserves, etc. There is an excess whether you are at 207 homes, 298 homes, or the full 452 homes.

It is also important to note that as things stand right now, there is no meaningful excess revenue coming into the township over and above that debt service. Any discussion about the use of that discretionary income based on today's units is still three years away. That said, excess PILOT revenue can be used for any lawful purpose in the township committee's discretion.

That is going to be part of the conversations that we will have and he would recommend in an executive session, in light of everything we have heard, to be able to formulate whatever policy decisions the township wants to make to address the issues that it has heard tonight and previously.

Grilletto said with all due respect, the township did ask you that and you were supposed to get back to us. Jessup said there was a conversation last week and that is what led him to be here tonight. Grilletto said that is why we asked you to answer that question to the group. Now, he guesses the committee will have to have an executive session to discuss the legalities with Jessup.

Denise Abdul-Amalak, 12 Saratoga, New Egypt, NJ, said she said respectfully disagrees about paying for the school system. She think paying for school systems is a civil obligation. People pay for my kids to go to school...we pay for your kids to go to school. She would not want to live in a town where the kids are not getting a good education because that is part of a community. She does not have a problem with that.

When she put the figures down, she said all she wants is that she is paying equitably based on the expectation of any senior citizen living in New Jersey. The protections were put in place because they know so many of us cannot afford to live in our state. My family is here. This is where I want to be.

Her only question is, the township went into this knowing it was a 55 and over community so the township is very aware of their concerns. In the same way that she feels it is her civic duty to support school systems, she feels it is the township's civic duty to support its senior citizens.

She has worked in the state, she has paid taxes in the state, she has contributed to the state, her children contribute to the state, so all she is asking that the township respect us and our positions. She wants to support the community. She actually does not care how the township spends her money because there are things that are going to come up. She is respectful of the township's decisions.

The odds are her husband will pass before her and right there she is losing a third of her income. That is the reality of a senior because that is what happens with social security. The township knows that.

In the same way that she recognizes her civil obligations to this town and contributing to this town she asking that the township reciprocate by providing us with the protections that were put in place because we are seniors, we are veterans...some of us have disabled children living in the community. That is all she asks. She does not want to be telling the township where to put the

money. She does not ask to not meet her civil obligations. She just asks that the township protect her.

Bowen asked if there were any questions or comments.

Cuozzo said that when it comes to the school portion of the tax, this PILOT program is temporary. In thirty years, all of the houses in the program will no longer be in this program and will be paying the effective tax rate in full after thirty years. That is part of it as well. It has to be thought of full-term. That helps him to understand where the tax rate comes from and where it should be because one of the plans he had proposed graduates the tax rate in incremental increases. If sixty percent of it is missing, basically all we would be doing is kicking the can down thirty years from now. The same problems you are describing would happen then. So it has to be something gradual, something fair, and it has to be based on the taxes that everyone else is paying. It is the decent thing to do. Giving a discount that would then become fair to the discounts that you cannot receive that is something he is definitely in favor of.

Bowen asked if there was any public comment.

Robert Wilner, 9 Emerald Road, New Egypt, NJ, asked if there is a scheduled meeting to talk about retribution for what we are talking about today. Is there going to be a meeting scheduled toward the middle of next month so that we can resolve this or at least talk about options?

Bowen said the township would like to schedule a meeting. It is going to depend on getting an answer from the state as to whether or not there would be an option to have the PILOT program recognize the state property tax discounts. The township has submitted that to them and is waiting for an answer.

Kurt Kalafsky, 1 Emerald Road, New Egypt, NJ, asked if the money that they pay into the PILOT program do the same percentages go to the school, the fire, and the police, etc.?

Bowen said that all the funds that the township is collecting is going towards debt and other specific obligations.

Jessup said that when a traditional tax dollar is paid, 10 or 11 cents goes to the township, 61 cents goes to the board of education, etc. When a PILOT dollar is paid, 95 cents goes to the township and 5 cents go to the county. Kalafsky asked how much of the PILOT payment goes to the school district. Jessup said that none of the PILOT payment goes to the school district.

Jessup said that all of the 95 cents goes to pay debt service. The township does not have excess revenue today with 207 homes built. Five cents goes to the county to fund the county's budget. That is the only two places that those dollars go.

Kalafsky asked if it is paying for the fire department or the police department and Jessup said it is not. Kalafsky said that if PILOT money is not going toward the fire and police, they are not benefiting from it.

Kevin Fowler, 10 Emerald Road, New Egypt, NJ asked if the current rate is 2.77. Gower said yes, it is the certified tax rate. Fowler said they were quoted 2.07 when they signed on. Gower said that was the effective tax rate times the estimated purchase price. The township uses the assessed value. Gower said that Lennar is not using the same formula as the township and they

have been asked to change that. Lennar is working on doing that going forward. If you did the calculation that way, you would actually be paying more off of your purchase price times that 2.04.

Fowler asked Jessup about the debt service. Jessup said it would be three years based on the current number of homes built and permitted. If the project never goes beyond 298 homes, the first year of material excess PILOT revenue is in 2026. Fowler asked the end date for Lennar's projected 452 homes. Jessup said that under the redevelopment agreement they have ten years to build out the full 452 homes.

Bowen closed public comment.

Deputy Mayor Marinari thanked everyone for coming. He thanked everyone for civility. We understand your issues. Somewhere down the line, they will be resolved.

ON MOTION OF COMMITTEEMAN GRILLETTO, SECONDED BY COMMITTEEMAN HAMMERSTONE, THE CONVENING OF AN EXECUTIVE SESSION WAS AUTHORIZED IN ACCORDANCE WITH THE OPEN PUBLIC MEETINGS ACT. ROLL CALL VOTE: ALL AYES.

The committee returned from Executive Session.

ON MOTION OF COMMITTEEMAN GRILLETTO, SECONDED BY COMMITTEEMAN HAMMERSTONE, THE MARCH 20, 2023 MEETING WAS ADJOURNED. ROLL CALL VOTE: ALL AYES.

Respectfully Submitted,

Cynthia MacReynolds
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