

RAD Financing - Providing Capital for Municipal Makeovers

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In late January of this year, I attended a meeting with Susan Bass Levin and staff members of the Local Finance Board on the state agency side. Also attending were Bill Dressel, Executive Director of the New Jersey League of Municipalities, and representatives of the following municipalities: Millville, Somerville, Belmar, Long Branch and Ventnor. The meeting was refreshing, particularly because the municipalities did not come bearing gifts.

The municipalities were concerned because recent legislation, the Revenue Allocation Financing District Act passed in 2002, was in jeopardy of ever being a useful tool for the financing aspects of municipal redevelopment because of proposed regulations that would have been onerous, burdensome and delay, if not eliminate, RAD financing. The meeting was refreshing because Commissioner Levin and her staff agree that the expressed concerns of the municipality were legitimate and would be eliminated as mandatory financing requirements.

RAD financing is not for every municipality. But it is a financing structure that is available in more than 40 states and is generally known as Tax Increment Financing. In New Jersey it is called Revenue Allocation Financing. In simple terms, a municipality with a redevelopment area can establish various financing programs to fund numerous aspects of the redevelopment projects, such as land acquisition, demolition, renovation and construction. The financing programs established are subject to review by the Economic Development Authority and the Local Finance Board and, ultimately, approval by the Local Finance Board.

The statutory process is itself detailed and complex and that is not unreasonable. A municipality adopts an ordinance designating a district within the redevelopment area, which cannot be comprised of more than 15% of the municipality's total assessable property (possibly up to 20% with Local Finance Board approval), as part of a duly approved redevelopment plan. The ordinance must also designate the district agent, which may be either the municipality, the county or a county improvement authority, the New Jersey Redevelopment Authority, or the Economic Development Authority.

The municipality then prepares and adopts a preliminary revenue allocation plan, which must then be reviewed and approved by the Local Finance Board, based on numerous criteria set forth in the statute. The Local Finance Board may approve or disapprove the preliminary plan, or grant conditional approval with conditions. Once the preliminary plan is approved, the area cannot be amended or expanded without

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going through the same process for the initial adoption of the preliminary plan. Finally, a similar process is applied for the adoption and Local Finance Board approval of a final revenue allocation plan, a dual process similar to that of preliminary and final site plan approval. The RAD process cannot be combined into one step.

Once the final revenue allocation plan is approved, the municipality essentially takes a financial snapshot of the revenue allocation district, which fixes the standard. The preexisting level of taxes continues to be collected and distributed by the municipality for Local, School and County taxes based on the normal allocation. The revenues collected within the RAD through PILOTs, special assessments, or other specified payments are earmarked for the Revenue Allocation District. All new revenues can then be committed as part of the revenue allocation financing plan to payoff debt needed to finance infrastructure or other improvements that but for the RAD would not be undertaken. The revenues may be used to secure bonds sold to finance the redevelopment projects; the revenues may also be committed to long-term projects broadly defined within the RAD legislation.

Mayor Quinn, Donald Ayres, Director of Economic Development, and Kim Warker, Director of Planning, represented Millville. Millville has been working on the process for nearly two years. Millville intends to use its RAD program for two major purposes. To provide necessary infrastructure improvements necessary for a major retail shopping center near the intersection of State Highways 55 and 47. That is part of Millville's program. Once that redevelopment is in place, authorized RAD payments would be dedicated to dramatically improve blocks of deteriorating residential neighborhoods. These projects will include new water and sewer infrastructure, housing rehabilitation programs, augmented code enforcement and enhanced neighborhood policing.

The Board of Commissioners in Millville have also determined that 50% of RAD generated payments will continue to be collected as regular taxes and thus shared in routine fashion among the municipal budget, the county budget and the local school budget.

Howard Woolley, Business Administrator, represented Long Branch. Long Branch, lead by its Mayor, Adam Schneider, and its cooperative and supportive Council, is a poster child for redevelopment along its oceanfront that is now expanding up the Broadway corridor, its former downtown retail strip. Long Branch has long sought to rebuild a recreational pier where one had existed for more than a century. RAD may be the key to refinancing the reconstruction of the pier.

The Finance Director, Robbin Kirk, represented Mayor, Kenneth Pringle, of Belmar and Somerville's special Planning Consultant, Patrick Henry, of the Atlantic Group, represented Somerville's Mayor, Brian Gallagher. Both Belmar and Somerville are contemplating RAD to finance necessary downtown parking in support of ongoing redevelopment projects. Andrew McCrosson, Municipal Administrator, represented Mayor, Timothy Kreisler, of Ventnor and likewise, Ventnor is contemplating RAD to support infrastructure necessary for redevelopment.

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While RAD is not for every municipality, it is a worthwhile tool and is worthy of further consideration. Indeed, it may be a solution for financing infrastructure and redevelopment in municipalities.