



## **BOROUGH OF MATAWAN**

# **PILOT Agreements FAQ – December 3, 2021**

With a PILOT agreement on the agenda for the December 7 Matawan Council meeting, this FAQ on PILOT agreements has been put together so the public has a better understanding of what this could mean for Matawan.

### **What is a PILOT Agreement?**

PILOT is an acronym for Payment in Lieu of Taxes. New Jersey's PILOT tax abatement program, (N.J.S.A. 40A:20-1) was designed to mutually benefit both developers and municipalities in order to incentivize development in areas in need of either redevelopment or rehabilitation. Instead of paying traditional property taxes, the developer pays an amount identified in the agreement for the life of that agreement.

Whereas property taxes support the local municipality, school district, county, and any other taxing entities (there are no others in Matawan), the county receives 5% of a PILOT and the municipality typically receives the rest.

### **Why would a developer want or need a PILOT?**

Generally speaking, the annual service charge of the PILOT is less than what the developer would pay in property taxes. Especially in the first few years of the agreement. This helps make the investment by the developer financially viable. If a municipality has areas where development is desired and there has been no interest from developers for years (even decades), it is likely because there is not a reasonable return on investment (ROI) for the developer to build a project that the municipality would accept. A PILOT agreement can change that.

### **So, does the school district lose out on funding?**

Absolutely not. As was explained in Matawan's last FAQ on tax assessments (posted on our website), municipalities collect all property taxes and are legally required to provide 100% funding to support the budget approved by the local school district (and other taxing entities). So, if the school district's budget was \$50 million, then that is what the municipality would collect and provide to the school district. The school district would not get any more funds with a new redevelopment project paying property taxes and they would not get any less money with a new redevelopment project paying a PILOT.

### **Still, if the developer is paying less, then isn't the proposed PILOT bad for Matawan taxpayers?**

No. While the annual PILOT service charge is less than what the developer would pay in property taxes, it is important to keep in mind where property taxes go. Slightly more than 60% of your property taxes go towards the school district. Only about 1/3 of the school district's enrollment comes from Matawan. Another 10% of your property taxes goes to Monmouth County. So, 70 cents of every property tax dollar collected by Matawan goes to either the county (where Matawan is only about 1.3% of the population) or the school district (where Matawan is only 1/3 of the enrollment).

With the proposed PILOT, 95% of the revenue will be used to support the municipal budget, providing more tax relief to Matawan taxpayers.

Another thing to keep in mind is that the comparison in this particular instance is not actually a PILOT vs. property taxes on the completed redevelopment project. Without a PILOT, the property in question would likely never be developed (it has been a parking lot for decades). Therefore, the better comparison is a PILOT on the completed project vs. property taxes on an empty parking lot.

**I have heard that this project will bring in too many school kids. Is that true?**

No. The developer paid for an independent third-party consulting firm to provide an expert opinion of how many school children this project will generate and the number is about a dozen. This is consistent with the density of school children generated at the closest and most comparable redevelopment project – The Link at Aberdeen Station. Even at triple this estimate, the amount of school children generated by this project should not require any additional spending by the school district.

**I have heard that this project will bring in too much traffic. Is that true?**

When any municipality takes a smart, responsible, and sustainable approach towards redevelopment, they weigh the pros and cons of every variable they can think of. More traffic brings more people, which makes an area more attractive to the type of commercial development that most people want to see. In consultation with our professionals, we believe this project will provide the desired economic development benefits without bringing in problems associated with too much development.

**Can I get more information?**

If you have any questions about PILOTs, here are the Borough Officials you can contact:

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