

NJ Long Term Tax Abatement/PILOT Fact Sheet

- Long-term tax exemptions are authorized by New Jersey Long-Term Tax Exemption Law N.J.S.A. 40A:20-1 et seq. ("LTTE").
- The LTTE was created to help NJ municipalities efficiently and responsibly improve their ratable base and redevelop underutilized and dilapidated properties.
- Long-term tax exemptions under the LTTE are only permitted in areas that have already been determined to be an Area in Need of Redevelopment and are the subject of a redevelopment plan.
- The LTTE allows municipalities to enter into agreements with redevelopers whereby they make annual service charge ("ASC") payments in lieu of conventional tax payments ("PILOT").
- The LTTE allows PILOT agreements for a maximum term of 30 years from completion of the project or 35 years from entry of the PILOT, whichever is greater, and includes staged increases in annual payments over the term to full taxation.
- The PILOT payments can be calculated as a percentage of revenue or a percentage of construction costs.
- The redeveloper must be an Urban Renewal Entity which is a limited dividend entity or non-profit subject to profit restrictions (12% project costs).
- A tax exemption is not as of right; the project must evidence the need to make the project feasible.
- Upon expiration of the tax exemption, the project returns to conventional taxation.
- Redevelopers who receive PILOTs continue to pay regular taxes on the land on which the project sits. The revenue generated to the county, schools and town from the property before the project was built is not reduced.
- The PILOT payments are only on the improvements, not the land. Redevelopers who receive PILOTs receive a credit against the ASC for the amount paid in ordinary taxes on the land.
- PILOT agreements have a provision prohibiting excess profits. The developers must submit audited financial statements every year to show that.
- PILOTs are shown to encourage private investment, promote balanced growth and create economic development opportunities that are essential to long term financial health.
- Municipalities retain much more of the annual payment than they would under a conventional tax.
- Tax exemptions are often needed to offset extraordinary site or development costs or obstacles that threaten feasibility of the project such as environmental clean-ups, high acquisition costs or infrastructure needs.

Fanwood Tax Abatements:

1. Fanwood Crossing (80 units total, 8 retail spaces). Fanwood Crossing is comprised of 3 phases). The three buildings are owned by separate Urban Renewal Entities and each has a PILOT Agreement. The PILOT is calculated based upon construction costs. The pre development conventional land tax was \$72,000. Fanwood's %20 portion was \$14,347.

The Fanwood Crossing project revenue:

Fanwood Crossing I (250 South Ave) -24 residential units with 3 ground floor retail spaces.

The project paid \$107,074 in 2025 (Pilot \$84,794 + conventional Land Tax \$22,280).

Fanwood Crossing II (246 South Ave.) - 40 residential units with 5 ground floor retail spaces. The project paid \$133,563 in 2025 (Pilot \$89,059 + conventional Land Tax \$44,504).

Fanwood Crossing III /233 La Grande Ave- 16 two-bedroom apartments. The project paid \$70, 993 in 2025 (Pilot \$48,161 + conventional Land Tax \$22,832).

2. Station Square (28 townhome style rental units and 7 affordable housing apartments) . The pre-development conventional land tax was \$26,072.01. This PILOT calculation is based on a percentage of revenue.

Station Square- The project paid \$217,278 in 2025 (Pilot \$173,598 + Conventional land tax \$43,680)