

July 2023

Dear Montville Township Community,

***There is much concern and confusion about the PILOT agreements for two of our new residential housing developments, Avalon Bay, and Mill Creek. These FAQs should help to clarify any questions and alleviate any concerns.***

1) Q- How and when did we get here?

A- The settlement negotiations involving the Third Round of Affordable Housing (a State of New Jersey lawsuit against every town including Montville Township), started as far back as 2015 and concluded in December 2018 with the execution of a settlement agreement between the Township and Fair Share Housing Center (a Supreme Court-designated interested party in this matter). That settlement was the catalyst for the settlement agreements with Avalon Bay and Mill Creek in 2018, which included the component regarding Payment in Lieu of Taxes (PILOT).

2) Q- What is a PILOT agreement?

A- A PILOT is a Payment In Lieu of Taxes. Rather than pay conventional property taxes, the property owner makes a payment in lieu of taxes to the Township as dictated by the parameters of a financial agreement. The timeframe of a PILOT is finite. These two PILOT agreements are for 30 years at which time the property will revert to conventional property taxes.

3) Q- Which new residential housing developments have PILOT agreements in place?

A- Only two properties-Avalon Bay (old GI Salvage yard) and Mill Creek (old Bayer property).

4) Q- Why would Montville Township negotiate PILOT agreements with these 2 developments?

A- To control size, Montville Township and many other communities utilize PILOTs to avoid high-density Affordable Housing projects. Initially, both Mill Creek and Avalon Bay had proposed to develop their respective sites with at least TWICE the number of proposed units. This would have equaled hundreds of units more.

5) Q- Has the Township received any payment from these developers thus far?

A- During the current construction phase, while no units are occupied, the Township is receiving 'interim tax payments'. The 'interim tax payment' during the construction phase constitutes what the property tax would be on the land prior to completion of the project. It goes to support the Township budget in the same manner as property taxes. The combined payments for both developments currently total \$180,500.

Once the developments have been constructed and occupied according to the parameters of the PILOT agreement, the Township will start to receive the full PILOT payments, otherwise known as an 'annual service charge'. The 'annual service charge' is based on gross revenue (i.e., rent, parking, storage, amenity fees, etc.) and will be audited and evaluated routinely to ensure calculations are done correctly.

6) Q- Are we able to predict the amount of revenue the Township will receive?

A- While we currently do not have enough information to predict the amount of revenue, our neighbor, the Town of Boonton, has an Avalon Bay property of comparable size with a PILOT agreement. We do know that at the end of 2021 Boonton received \$900,000 for 350 units. We believe our Avalon Bay development could have an annual service charge more than \$1.2 million; with Mill Creek, about \$1 million.

These numbers are approximate, however, at the very least, the Township did negotiate a *minimum* annual payment. For Avalon Bay it is \$650,000 and for Mill Creek it is \$375,000. Regardless of any issue or vacancy at the property, the Township still gets paid these annual minimum amounts.

7) Q- How else will Montville Township benefit from these PILOT agreements?

A- The Township was able to get the developers to agree to be responsible for their own snow removal and garbage collection, an expected annual savings of over \$100,000 for the Township (these numbers are approximate).

8) Q- If the rent for the units in these developments goes up, how does it benefit our Township?

A- Since the PILOT payment is a percentage of gross revenue, if the development's gross revenue goes up due to increases in rent, so does Montville Township's PILOT payment.

9) Q- Can you name some other towns that have PILOT agreements?

A- PILOTS have become prevalent throughout the State for similar reasons. Here is a *partial* list of some towns with such agreements:

In Morris County:

Boonton  
Chatham Borough  
Chester Township & Borough  
Denville  
Hanover Township  
Harding Township  
Long Hill Township  
Madison  
Netcong  
Parsippany  
Wharton

In other counties:

Bloomington  
Little Falls  
Princeton  
Westfield  
West Milford