

Mike Templeton and Fern Ouellette support continued improvement in Delanco's schools. Both Dietz and Watson and NVR enjoy PILOT deals – Payment in Lieu of Taxes. *As a result, they do not pay school taxes for twenty years.*

Mike and Fern support enhanced recreational facilities. *Dietz and NVR don't pay open space taxes, which have been used to develop and maintain recreational facilities.*

Mike and Fern support public safety. *Dietz and NVR aren't responsible for taxes to the fire district.*

Please read the following 2006 article from our archives for more information about the Dietz and NVR PILOT agreements.

P.I.L.O.T. Programs: With Taxes Sky High, Are PILOT Agreements the Answer?

What would you say to your tax bill being only half what it is now? What would you say to a 20 year freeze on your tax rate and assessment? What would you say if you were only taxed on your home, and the land portion of your tax bill was cheerfully refunded? Sound too good to be true? It is, unless you are a new business.

One incentive used to entice businesses into a community is the PILOT (Payment in Lieu of Taxes) program. Under PILOT agreements, negotiated by a municipality, county government, and prospective business, the business agrees to pay an annual "service charge" to the municipality instead of taxes.

In 2002, Delanco Township created Delanco Industrial Park, a redevelopment zone along Coopertown and Creek Roads. This was an effort to draw business into Delanco and occupy what had been 140 acres of farmland, a former landfill, and five acres of light industrial property.

Let's look at one of Delanco's current PILOT agreements. In 2005, this new business paid the negotiated service charge, just 55% of the property's actual tax assessment. The service charge increases one or two percent each year until 2022, after which it will rise five percent each year, to finally reach 100% of the original 2005 assessed value in 2025. The company saves \$2,195,404 over twenty years.*

Businesses with PILOT agreements in place are also exempted from any rate increases or reassessments and revaluations for the duration of the 20 year agreement.

PILOT participants also receive a credit of the assessed taxes on the "land" portion of their tax bill, so the actual payment to Delanco is the calculated service charge minus the taxes on their land. PILOT programs are supposed to be advantageous to municipalities because the municipality receives the entire service charge directly.

In 2005 Delanco Township's general fund received this business's service charge of about \$179,555 for a project valued at \$10 million. That's 55% of the \$370,100 this company would have paid in taxes minus a credit of about \$24,000 for the land value. Without the PILOT agreement, the municipal "local purpose" portion of this business's taxes would have been \$81,500. This sounds like a good deal, but none of the PILOT service charge monies go to Delanco schools, local open space funding, and the Delanco fire district. None. The school, fire district, and open space taxes total 61% of your tax bill.

What does the agreement look like over 20 years?

The total PILOT service charge to be collected by Delanco Township from this one business over the next twenty years is about \$4,646,596. Without the PILOT, the Township's "municipal purpose" tax would have only generated \$1,630,000 at \$81,500 per year. The actual total would be much higher because, without the PILOT agreement, the property would be subject to the same tax rate increases, revaluations, and reassessments as your property.

That means the Delanco School District loses a minimum of \$4,250,000 in tax dollars over the 20 year life of this single PILOT program. In 2005 alone this one business would have paid over \$212,500 in school taxes, enough to cover the school tax portion of nearly ninety Delanco homes paying \$4,200 a year in taxes – the average tax bill in Delanco. Likewise over the next 20 years the fire district will not receive at least \$210,000 and the local Open Space/Preservation fund that Delanco voters approved in 2004 will not get the \$40,000 it would have received. This totals more than \$4,500,000 in lost tax dollars for these essential Delanco community services and initiatives. Add this low estimate of \$4,500,000 and the \$1,630,000 that would have come in as the "municipal purpose" tax, and compare it to the \$4,646,596 generated by the PILOT service charge. Delanco as a whole comes up at least \$1,482,404 short over the 20 years.

As part of the PILOT agreement, Burlington County forfeits its share of the taxes because the County wants to encourage development in the Route 130 area. In this particular PILOT agreement, the county forfeits \$1,272,000 over the 20 years, money that would help pay for county services, and fund the county library system, farmland and open space preservation. Who makes up the difference?

Advocates of tax abatement programs such as PILOT agreements cite economic development, business growth, and jobs creation as reasons for these plans. The loss of tax revenue is balanced by the potential gain a business could bring to a region. In fact, employment projections are included in PILOT agreements.

The PILOT agreement of the company cited above claims a: "benefit created in the first three years by approximately 15-20 new jobs with an approximate \$165,000 annual payroll and a potential for a total of 5-10 additional new jobs over the life of the agreement." Fifteen to twenty new jobs on an annual payroll of \$165,000 equates to yearly salaries of \$8,200 to \$11,000 for those new employees. The 2006 Federal poverty threshold for one person is \$9,800.

An argument for business tax abatements which exclude school taxes is that commercial and industrial facilities are not residential and do not burden the local school systems. The school system is affected by commercial and industrial

development. The New Jersey Council on Affordable Housing (COAH) requires one affordable residence for every 25 new jobs. The two Delanco businesses currently in the PILOT program generate a COAH obligation for affordable housing units that Delanco is required to provide by State law. This housing requirement calculation varies with the type of business. More labor-intensive businesses like offices, retail operations, and factories incur a greater COAH obligation than less labor-intensive facilities such as warehouses and lumberyards. Additionally, if a business expands, the COAH obligation increases accordingly.

Businesses shop around for the best deal and often play one town against another. They seek locations for access to transportation networks, a quality workforce, and ability to market their products efficiently. Those factors are fixed; there is often only a single location that will fit what a company needs.

Delanco's location in a densely populated metropolitan area, astride several transportation arteries, within two hours of New York, Baltimore, and Washington is a desirable location for many businesses. Available land in such a prime location is an extremely valuable asset. The value to our community should not be underestimated.

PILOT programs are successful in that they lure businesses to town, but how do they benefit Delanco in the long run? The 20 year terms of the two current PILOT agreements create great financial stability for those businesses, yet they upset the balance of the established community tax system for two decades. They also freeze the tax revenue of those properties for 20 years. The PILOT programs deny financial support to schools, fire protection, county services, and open space programs – the very fabric of our community. Who makes up the difference? You do.

Written by Mike Templeton for Hoofbeat, the JFK Democratic Club newsletter in October 2006.

*Data for this article obtained from Delanco Township PILOT Program files available at the Delanco Municipal Building.