

How Redevelopment Area Bonds Benefit Municipalities

By James G. Aaron, Partner, Ansell Grimm & Aaron, PC



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Writing in *The Link News*, Partner James G. Aaron discusses how redevelopment area bonds benefit municipalities and how they are used in the city of Long Branch.

The intent of this article is to provide information as to Redevelopment Area Bonds (RABs) and their existence and use in the City of Long Branch.

RABs are a statutorily created pursuant to N.J.S.A. 40A:12(a)-29 to aid redevelopment agencies (municipalities in redeveloping areas in municipalities which have previously been declared areas in need of redevelopment. They can only be issued in designated redevelopment areas and agreed to in redeveloper agreements between the project redeveloper and the City of Long Branch Council, which acts as the City's Redevelopment Agency.

The RABs that are issued are only for public purposes such as street improvements, public parking garages, improvements to public amenities such as boardwalks and the improvement to streetscapes, to name a few.

How do the bonds get repaid? The bonds, as issued by the municipality, are repaid from the proceeds of funds brought to the municipality by way of taxes from the project itself. A payment on the bonds is also guaranteed by third parties, either individuals of significant high net worth or corporate entities involved in the project's redevelopment.

The bonafides of these guarantors are provided to the City by independent outside economic consultants, who; although hired and working for the municipality, are paid for by the redevelopers. Thus, the benefit to the municipality is public portions of projects are paid for by the project itself and guaranteed by the redevelopers of the project or its principals.

In Long Branch, two specific RABs jump out. One is the \$5 million RAB for the Long Branch Partners redevelopment project on lower Broadway. The \$5 million RAB in Phase I of the project is to improve Broadway, create streetscapes, and change the traffic pattern at the corner of Broadway and Second and Union Avenues, as previously approved by the Planning Board.

Other RABs are to be issued by the redeveloper's agreement in Phases III and IV of the project, which will help the redeveloper finance the construction of parking garages that will be used by the public in both of those phases.

The other RAB is the \$20 million RAB provided by the redevelopers' agreement for Pier Village Phase III. That RAB will finance the improvements to the streetscapes within Pier Village Phase III, the building of public

spaces and parking garages, as well as the completion (now basically complete) of the boardwalk.

This RAB is again guaranteed by principals, and/or entities proposed by the redeveloper and approved as to their bonafides by the City's outside economic consultants.

Thus, the City of Long Branch, upon completion of these projects, will have improved streetscapes, traffic patterns, boardwalks, and additional public parking, all paid for by the tax revenues that these projects themselves generate without the need for the general public to pay for these improvements. PILOT programs and long- and short-term tax abatements are different tools of a municipality and if there is any interest, will be discussed in future articles.

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