



FAQs About the City's Community Development Projects | April 2020

The purpose of this FAQ is to provide as much information as possible to answer the important questions that have been raised by community members. We have heard you and are eager to continue hearing from you throughout this process. We will do our best to answer your questions clearly and accurately. The following are the recently asked questions we have received about the community development plan and our affordable housing obligations that we have introduced for consideration. If you have other questions, please submit them to our clerk and our Council members and staff will provide answers as quickly as possible. As we get additional information, we will continue to update this page. You can always find all of our information about this at lambertvillenj.org/communitydevelopment.

This administration has been committed to being as transparent as possible from day one. As part of this commitment, we organized the Community Development Fairs on February 1st and February 10th, 2020 to share the initial ideas the administration was beginning to consider as a result of extensive work done throughout 2019 to identify the needs of the City. Our goal was to provide you, the public, with as much information as we could about the issues facing our city and to present options for addressing those issues at the very outset of the conversation.

We understand that while some in the community found the fairs informative and a good venue for dialogue, others found them alarming and frustrating. The ideas presented at these fairs were and are simply that - ideas. They do not reflect plans that have already been unofficially adopted by the City or endorsed by any members of the Council. We hoped to initiate a dialogue with the community, but understand that there are residents who felt blindsided by these big ideas and we hope to better meet everyone's expectations for communication going forward.

Our city faces unprecedented challenges and we need to work together to solve them. We need your help but, most importantly, we need your trust that we are committed to working with everyone on this. We hope these FAQs will help to restore that trust and set us on the path toward the next step of this process, because, really, we are only at the beginning.

We thank all of you who have given your time and your passion over the past many weeks to help us understand how we can do better. We're relying on you to continue doing that. We pledge to continue providing clear and accurate information as we explore these potential community development projects, present and review the 2020 budget, address our affordable housing obligations, as well as carry on with the day-to-day business of Lambertville.

You also may be interested to find some of the existing documentation that we have produced and shared. Some of it provides background to this document. All of the documentation created is available online at lambertvillenj.org/communitydevelopment. There you will find several documents that might be useful:

- All of the informational panels from the Community Development Fair
- All of the public comments received from both the Community Development Fair and followup meeting
- A detailed history document describing the origination of the ideas and how the City got to current proposals

1. What are the circumstances that led the City to consider a potential consolidation of municipal services in a new location?

There are three key challenges facing the City that, because of their combined impact on our finances and timing issues related to each, led the Administration to consider a potential consolidation of municipal services in a new location. Below is a summary, [you can read the full history document here](#).

A. Structural Budget Deficit

The City needs to raise more money to properly fund its operating budget. (Please see the [August 2019 budget presentation](#) for more details.) We can't and don't want to raise taxes excessively to do this, nor continue to borrow to fund operating costs. In 2019 we have reduced capital borrowing and capital costs significantly. But the operating budget is already "to the bone" and doesn't have much room to cut costs. This means we need to increase the number of entities that are paying into the tax base.

Over the past several years, the City carried a fund balance (or surplus, which can be thought of as a savings account or "rainy day fund"). More fund balance has been used out of this "savings account" than has been added to it, meaning it has gotten smaller and smaller over time, and will soon be depleted. Additionally, the City borrowed much more money than it needed for capital projects. The excess of borrowed funds went into a 'Reserve for Debt Service.'¹ and was considered part of the City "surplus,". This "Reserve for Debt Service" relied on continuing excessive borrowing practices. The City used the borrowed money in this account to fill the gaps of our structural deficits (or shortfalls that repeat every year) in its

¹ [2020 Budget and Process Introduction for August 6th](#), slides 14-15

operating budget. These short falls are caused primarily by increases in debt service payments due to the excessive borrowing. The City did not increase its operating budget as much as was allowed under state law to accommodate these rising costs, it left important functions underfunded and caused the accumulation of the significant debt service obligation that we are currently burdened with. These debt service obligations are already set. The schedule (payment plan) has been in place since the time the money was originally borrowed (Much like a payoff schedule for a mortgage).

By 2022 or 2023, the City will run out of both the fund balance and the reserve for debt service, but the obligations to pay for existing debt will not go away. The lack of cash in these accounts will significantly increase the cost to taxpayers of debt service payments and create greater financial risk for the City's taxpayer, as there will be no more "savings" for use in emergencies. The City must take action now to increase rateables, as those actions take years to realize. As we began to produce a six-year budget plan, this potential tax increase led the City to consider ways to generate new rateables to cover these costs and reduce the impact to current tax payers.

B. Affordable Housing Obligation

Lambertville, like all NJ municipalities, is required to provide for its fair share of housing that is affordable to households earning low and moderate incomes. The city has created a [new web page](#) to describe in detail our affordable housing obligations.

The City's prior affordable plans cost taxpayers nearly \$350,000 of professional and legal fees between 2015 - 2019.

Additionally, the prior plan had the City committed to a multi-million dollar condemnation (purchase of private land at the taxpayers expense) with significant legal risk and cost.

Because of these costs and risks, combined with the City's desire to see affordable housing actually built in Lambertville, the City began to explore new ideas to address our needs. The goal is to a) reduce ongoing expenses and legal fees, b) reduce future financial risk to taxpayers, and c) provide a clearer and more actionable pathway to actually building well designed and well integrated affordable housing in the City.

C. Deferred Maintenance and Condition of Municipal Properties

The City has spent more than \$1.5 million over approximately the last ten years on maintaining and performing work on the four facilities in question. Those renovations did not address many important problems, both functional and workplace compliance. The City began to organize all of those costs as part of the new budget process into a six-year capital plan. Renovations that brought the facilities to maximum functionality possible within each existing space would cost at least \$9 million. This would likely end up being more due to the nature of public sector renovations to historic buildings, and the costs of temporary relocations for all of the impacted offices during renovations. Doing these renovations would still leave some significant problems in place, such as the inability to have more public meeting space, and the persistent problems related to existing and ongoing water damage to the Justice Center, for example.

When considering the possible renovation cost versus the cost of a new building, the costs ended up in the same general area, and so both options were pursued in more detail to fully understand how the costs compared. The explorations of the costs related to the construction of a new building (or purchase and rehab of an existing non-City owned building) were encouraging (relative to the cost/benefits of renovation), and resulted in the proposal of beginning to study creating community development plans. These plans, and the pros/cons of each option (New building or renovation to existing facilities) are now being discussed in the Community Advisory Team to help bring in broader community input before the Governing Body makes a decision on how best to move forward.

2. How long has the City been exploring the creation of a municipal complex?

While conversations about possible ways to address the issues outlined above were ongoing throughout 2019, the concept of consolidating municipal functions in a new building was raised in September 2019.

3. How does our current debt and this new proposed debt impact taxes?

The City's current total obligated debt as of the end of 2019 is \$13,929,660.51; \$6.45m of that was authorized just between 2015 and 2018, for an average of \$1.6m per year over those four years. Note that in 2019, the amount of debt the City authorized was reduced by approximately 97%. This significant reduction was intentional, as we discussed in August of 2019, major short-term (as well as long-term) changes to City's capital spending would be necessary to help prevent significant future tax increases.

Related to the tax impact of borrowing, the *total amount of debt* is not the most important number. What has a more direct impact on property taxes is the *debt service obligation* - how much each taxpayer is obligated to pay every year to pay down the debt. For example, currently, large amounts of debt could be authorized, and as long as it was done on the proper schedule, could actually correlate to the tax impact of debt being close to staying the same. Timing is extremely important to understand the tax impact of debt, and that is why the City's decisions related to debt now involve a number of professional staff with expertise in this area, such as the City's Business Administrator, Chief Financial Officer, Financial Advisors, and Bond Counsel.

We understand residents' concerns about the impact of significant new borrowing on taxes, and we understand that there has been a lot of misinformation circulating in the community about what the cost of borrowing actually is.

To put some concrete numbers around those concerns, we asked Phoenix Advisors (Lambertville's financial advisors) to assist. They conducted a preliminary analysis dated March 10th, 2020, which shows that a \$10m bond over 25 years would result in an approximately \$292 obligation for the average Lambertville home (with an assessed value of \$377,763). This equals approximately \$77 per \$100,000 of assessed value. Please note, however, that calculating the tax impact of debt is complicated, so this is just an example, and amounts would be slightly different depending on interest rates, for example.

Additionally, we mentioned previously that the total amount of debt is not as important to tax impact as to the timing of the debt and the debt service payments. Although the above estimate is the technical obligation per average assessed home, it does not mean that borrowing \$10m would even create an increase of \$292 per year. What the actual impact would be would depend on what year the debt was authorized, and how that debt schedule works with our current schedule, as well as type of debt, and several other details. It is possible to borrow that much without any tax increases, but it depends on timing.

The City is finding creative and responsible ways to meet current and future financial and operating needs. There are four options to do this, which we presented in 2019.

1. **Borrowing.** The prior administration's ideology of borrowing extra money to use to pay debt service on borrowed money will not continue. Some amounts of borrowing will still be needed to fund capital projects and help ween the City off its prior bad habits.

2. **Cutting costs.** We reduced new debt authorized in 2019 by approximately 97% over prior years. Unfortunately, operating expenses (such as salaries and wages) are already so low there is very little left to cut. The City has implemented a number of programs to continue to cut costs, such as technology and energy efficiency upgrades.
 3. **Raising taxes.** Although some amount of tax increases on existing homeowners will be necessary to help build the budget and stay ahead of basic inflation, the City cannot ask taxpayers to shoulder the entire debt burden from the previous decades. We must find a more creative solution.
 4. **Raising new revenue.** This comes primarily in the form of redevelopment - taking properties that are contributing nothing or very little to the tax base, and turning them into higher tax-paying properties. Good examples of this are public property (paying nothing in taxes) becoming a residential or commercial development, which will generate significant revenue in the form of taxes or PILOT. In both scenarios, all of this money is brand new, and will help offset the burden on existing taxpayers.
- 4. Why does the City have an affordable housing obligation that requires more than zoning? And what's the rush?**

Although general information about NJ's affordable housing policy can be easily found online, it doesn't tell the whole story. It is not true, in practice, that municipalities must merely zone for realistic opportunities for the development of affordable housing. Now that the courts and an advocacy organization oversee municipal compliance with state mandates, each municipality must negotiate with these entities to develop a 'settlement agreement' that documents how and on what timeline the municipality will meet its affordable housing obligation. Without an approved settlement agreement, a municipality leaves itself open to 'builder's remedy' lawsuits, which, if the municipality is found to be out of compliance with affordable housing regulations, could allow builders to develop projects with little to no input from the local government about location, density, or design, as long as they include a 15% (rental) or 20% (homeownership) set aside for affordable housing. [Examples of this happening recently and more information about our affordable housing plan can be found here](#). Noncompliance with affordable housing mandates is not an option.

The 2018 plan was aggressive and expensive. If the current administration had not halted condemnation, the former high school site could currently be under construction. In Lambertville's case, the [May 2018 affordable housing settlement](#)

[agreement details](#) this mandated timeline by the courts. That timeline was approved by Council, along with the October 2018 court order in response to the September 2018 fairness hearing². These agreements included designating the former high school site as an area in need of redevelopment with condemnation and required the City to 1) take all necessary steps to condemn and acquire the site within 120 days (which would have been February 11, 2019), this step would have cost the city millions of dollars. Next the city would have had to identify a developer within six months of the final judgment (approximately October 2019). Finally they would have had to finalize a redevelopment agreement within nine months of the final judgment (approximately January 2020).

The City is committed to not rushing forward on an existing expensive and risky plan for the sake of simply meeting the prior deadlines or agreements. It may not at first feel this way for members of the public, but the new proposed plans are actually the result of the City taking a step back, and re-evaluating the best way to proceed.

5. Since the Police site is included in the amended settlement agreement as an affordable housing site, does that mean consolidation of City services is inevitable?

The City's obligation to facilitate the speedy development of affordable housing is ongoing. Please see 1B above. More details about the history of Lambertville's affordable housing process and our most current mandates can be found [here](#).

While the City's amended settlement agreement with Fair Share Housing Center calls for redevelopment of the Police site, it does not obligate the City to move forward with full consolidation of municipal services or the construction of a new building. Redevelopment of the Police site will necessitate that we find a new home for the Police. The City is in the first steps of considering how best to address our facility needs. That could look like a few services consolidated in a current City facility, a new building with limited or full consolidation, or just a new police site. We are still early in the process.

6. How much taxpayer money was spent to date on preparing cost estimates, plans, and renderings for the municipal complex? Please include time spent by professional and City employees.

There are four types of costs to the City associated with projects like this:

² [October 2018 Court Order](#), p 98/237 pp 3e, p 99/237, pp 7 and 8

- Contracted costs - This is work for which the City requests proposals. The City authorized spending on two proposals from Clarke Caton Hintz for this project, one for \$17,000 and one for \$7,000, for a total of \$24,000 spent on needs assessments and the renderings of both the Police site and the ACME site.
- Consultants on retainer - This is work that professional consultants to the City, like planners, engineers, and redevelopment attorneys, do under their existing ‘Not To Exceed’ (NTE) contracts, which allow them to do a broad range of work to meet the needs of the City without specific project-based scopes of work. We have not received all of the invoices for this work yet, so do not have a final number, but it is all within the established annual NTE’s.
- City staff - City staff are salaried employees and do not track time on a project basis.
- Materials - Additional to the costs above, the City paid out approximately \$500 for poster boards, paper, and other materials used for the community development forums.

The Mayor and Council intends to introduce a \$150,000 bond ordinance which will cover the existing and ongoing costs of studying primarily the police site for the mixed income building proposed in our fair share agreement. This bond will fund the work of professionals like our City Planner to perform the scattered site Area in Need of Redevelopment Study, as well as attorney’s fees, and more.

To help contextualize the costs of professional services and evaluations, we have included the following examples as comparisons:

Professional fees related to the Clinton Phase Two road resurfacing	\$125,000
Professional (including legal) fees spent between 2015 and 2019 on issues related to the City’s affordable housing plans totaled approximately	\$350,000 (\$100,000 authorized in 2018)
Professional fees for the City’s Engineer to study the Swan Creek Flood Gates were approximately	\$196,000

7. What differentiates the “financial support” provided for the Community Development Fair from McManimon, Scotland & Baumann, Suburban Consulting

Engineers, and Clarke Caton Hintz from a contribution that would violate Pay-to-Play laws?

The City received small donations from three of its professional service firms to help defray the cost of materials and refreshments for volunteers who staffed the tables for the Community Development Fair.

Anti [pay-to-play statutes](#) refer to political contributions made by certain entities to candidates running for elected office. [Contributions are defined as](#): “Contribution” includes every loan, gift, subscription, advance or transfer of money or other thing of value, including any, in-kind contribution, made to or on behalf of any candidate committee, joint candidates committee, political party committee or legislative leadership committee and any pledge or other commitment or assumption of liability to make such transfer. For the purposes of this subchapter, any such commitment or assumption shall be deemed to have been a contribution upon the date when such commitment is made or liability assumed. Funds or other benefits received solely for the purpose of determining whether an individual should become a candidate are contributions.”³

8. Who calculated the renovation cost estimates for existing municipal facilities and the construction cost estimate associated with the building shown in the rendering for the ACME site presented by the City? What qualifications do they have?

[Michael Burns](#), AIA, the City’s architect, prepared the preliminary estimates for the renovation costs for current City facilities.

[Michael Hanrahan](#), AIA of Clarke Caton Hintz prepared the floor plans, future needs assessment, and the renderings related to potential new construction.

Needs assessments and maintenance costs will continue to be reviewed and refined as we move forward with this process.

9. What data has been gathered regarding combining our municipal services with other municipalities? What evidence does this data provide to support the need for a large municipal complex?

The estimated total size for what would likely be necessary in a new building is approximately 25,000 square feet, up to 30,000 at maximum. This initial estimate is

³ [Subchapter 25. Legislative, County And Municipal Contractor Contributions Prohibited](#), p 269

larger than any one of the current facilities. However, it is only moderately larger in total square footage than these four current facilities combined, which is a little more than 20,000 square feet of total space. We are able to accomplish a lot more with only a moderate increase in size because much of the square footage of our current facilities is unusable space. Consider City Hall for example, where square footage is hallway space that is too narrow to use because it would restrict ADA access and fire exits. A new building would make better use of available space. It would also add new space to provide functions that aren't possible right now, such as additional reading rooms in the library, meeting space for the public, private meeting rooms for staff, or a break room for daily City, Library, and Police employees.

If the City were to move ahead with consolidating municipal functions in one building, the amount of space we anticipate needing is based on:

- Needs assessments conducted at all existing municipal facilities and interviews with City staff;
- Review and discussion of those needs;
- Space needs and utilization in municipal headquarters of similar sized municipalities; and,
- The City's goal of continuing to provide current services while also planning for and providing additional services to the community.
- Cost per square foot calculations and prioritizing of space needs

This is just the beginning. We will continue to solicit ideas and information from community members on their needs throughout this process.

On the note of shared services, the City is currently pursuing a number of shared services opportunities with neighboring municipalities, the county, and the state. This includes applications to several grant programs, including a grant application for \$150,000 from the NJ Department of Community Affairs (DCA) to support local shared service innovation, and a grant for \$50,000 from DCA's Local Efficiency Achievement Program.

10. In a municipality with high property values, why is the City proposing Redevelopment and Rehabilitation Overlays?

NJ's Local Redevelopment and Housing Law (*N.J.S.A. 40A:12A*) provides municipalities with tools to facilitate redevelopment in areas designated as Areas In Need of Redevelopment or Rehabilitation. These tools include the ability to have greater influence over how properties are redeveloped through the adoption of redevelopment plans, the

ability to negotiate and enter into redevelopment agreements with redevelopers who meet criteria set by the municipality, and the ability to provide for financial incentives to carry out redevelopment through Payments in Lieu of Taxes (PILOTs; *N.J.S.A.* 40A:20) and tax exemptions and/or abatements (*N.J.S.A.* 40A:21).

In the case of municipally-owned properties, redevelopment plans give municipalities greater flexibility in selling those properties for the purposes of redevelopment. The City is considering using these tools to facilitate redevelopment in Lambertville in order to 1) support existing property owners who wish to make upgrades to their properties but don't want to get hit immediately with a higher assessment 2) increase the tax base, thereby increasing revenue to the City, and 3) ensure that redevelopment or new development fits within the character of Lambertville.

For existing property owners who want to make upgrades to their properties, being able to work out a phase-in of increased taxes can make the difference between being able to afford a project or not. For developers who are carrying out redevelopment projects, being able to pay a PILOT and/or tax abatement/exemption can make the difference between a project being economically viable or not. In both cases, the City can look forward to increased tax revenue over time, even if the increase isn't as steep in the first few years after completion of the project.

11. Why is the City proposing tax abatements for developers while raising taxes on residents?

This question is very important as it allows us to answer a key misunderstanding about the financial impact of PILOTs and tax abatements. We are aware that this misinformation has circulated throughout the community. For the projects being considered in Lambertville, **the tax abatements would help reduce the burden on existing taxpayers, not increase it.**

There are two important points to cover to understand how this works. First is the tax impact of bringing in new people to contribute revenue to the City's budget. The second is how PILOTs differ from "taxes" and when they are appropriate to use.

First, the easiest way to think about this is by comparing it to any group contribution program. For example, adding more people to a health insurance plan typically reduces costs to individual members by having more people pay into it. By turning a property that is contributing no revenue to the City (such as the police site) into one that is now contributing revenue, you reduce the total amount required to be paid by everyone else.

Although new developments also cost the City some marginal annual amount to provide services to them, they generate significant revenue from multiple sources, including one-time revenue from the sale of the property, one-time revenue for construction/permitting, ongoing revenue from the taxes (or PILOT), and ongoing revenue from annual registration and permitting requirements. They also raise property values elsewhere, and they provide living space for more people to bolster the local economy by shopping at local businesses and contribute to Lambertville's civic and cultural life.

Second, each PILOT is specific to each case. To call a PILOT a "tax break" without assessing the specifics of the situation is misleading. The redeveloper must prove that "but for" these financing options, such as a PILOT, the project would not be built as it would not be economically feasible for the redeveloper to complete such a project. A PILOT allows for a municipality to set payments within specific statutory limitations. The length and amount of the payment in lieu of taxes are established on a project by project basis. Developers have to provide detailed financial analysis to the City and its legal and finance team to justify why they need it to make the finances of the project work. Only then can it even be considered. It's a tool to help spur investment.

Ultimately, providing creative financing options such as PILOTs allows the City to better facilitate the creation of new tax ratables and will also help the City with compliance under the [Housing Element and Fair Share Plan](#). It's important to remember that while a redeveloper may make lower PILOT payments than the "otherwise applicable tax," that project would not otherwise exist without the PILOT and the City would realize no benefit at all.

Because the City only collects approximately 17% of each property tax dollar currently, and it would collect 95% of the revenue of a PILOT, the finances are often favorable to the City's budget (without any impact one way or the other to the homeowner). The City can, and has committed to, ensuring that within what the law allows, the other stakeholders, such as the schools, also get a financial benefit from the project.

The bottom line is that this is brand new money on property that generates nothing currently, and every new dollar, whether in the form of taxes, or a PILOT fee, helps to offset and reduce the burden on existing taxpayers.

12. How did the City's recent Community Development Forums comply with the Open Public Records and Open Public Meeting Acts in regard to comments made by City representatives? What uniform written guidance was provided to City representatives for use at the event?

The [Open Public Records Act](#) (OPRA; *N.J.S.A. 47:1A-1*) provides that “government records shall be readily accessible for inspection, copying, or examination by the citizens of this State, with certain exceptions, for the protection of the public interest.” Any records maintained by the City related to the Community Development Fair are available for access through the City’s [website](#). These documents are available on this website not only to be in compliance with OPRA, but more importantly because the City believes that this information should be widely available to the public.

The [Open Public Meetings Act](#) (OPMA; *N.J.S.A. 10:4-6*) defines a meeting as “any gathering whether corporeal or by means of communication equipment, which is attended by, or open to, all of the members of a public body, held with the intent, on the part of the members of the body present, to discuss or act as a unit upon the specific public business of that body.”

The Community Development Forum on February 1st was an informational session that included participation from more than an effective majority of the Governing Body and was noticed as such (by posting on the website, email list, in City hall and two newspapers). The follow-up on February 10th was an informational session that did not contain an effective majority of the Governing Body, and so although the meeting was widely distributed (website, email list, Facebook), it did not need to be, and was not adequately noticed as a Governing Body meeting.

Each of the presenters worked with the Administration, including Alex Torpey, Emily Goldman, Cindy Ege, and Mayor Julia Fahl to do a brief training on expectations for their presentations to the public.