

BOROUGH OF BOUND BROOK
County of Somerset

ORDINANCE -2017-26

AN ORDINANCE OF THE BOROUGH OF BOUND BROOK, COUNTY OF SOMERSET, NEW JERSEY APPROVING THE PILOT APPLICATION AND AUTHORIZING THE MAYOR AND BOROUGH CLERK PURSUANT TO N.J.S.A. 40A:20-1 ET SEQ. TO EXECUTE A FINANCIAL AGREEMENT BY AND BETWEEN THE BOROUGH OF BOUND BROOK AND 507 EAST MAIN STREET URBAN RENEWAL, LLC FOR PROPERTIES LOCATED ON BLOCK 13.03, LOTS 1 & 12.01 AND TAX BLOCK 13, LOT 10.01 AS SHOWN ON THE OFFICIAL TAX MAP OF THE BOROUGH OF BOUND BROOK AND LOCATED IN THE DOWNTOWN REDEVELOPMENT AREA

WHEREAS, in January 2000, the Borough Council of the Borough of Bound Brook (the “Borough”) designated various properties in its downtown along the Main Street corridor as an area need of redevelopment (“Redevelopment Areas 1 & 2”) and adopted a redevelopment plan for Redevelopment Areas 1 & 2 in February 2000; and

WHEREAS, Block 13.03, Lots 1 & 12.01 and Block 13, Lot 10.01 (the “Properties”) are located in Redevelopment Area 1; and

WHEREAS, on December 13, 2016, the Borough approved a redevelopment agreement with 507 East Main Street Urban Renewal, LLC (the “Redeveloper”), which approval was further amended by the Borough on July 25, 2017 and the parties executed a redevelopment agreement (the “Redevelopment Agreement”) for the redevelopment of the Properties; and

WHEREAS, the Redeveloper created and obtained approval for an urban renewal entity, known as 507 East Main Street Urban Renewal, LLC (the “Entity”); and

WHEREAS, the Entity is the contract purchaser of the Properties; and

WHEREAS, the Entity has obtained approval from the Borough Planning Board to construct 105-unit multi-family residential units over ground floor commercial space with on-site and off-site parking and related site improvements and amenities (the “Project”); and

WHEREAS, the Entity was created for the purposes of acquiring, owning, holding, developing, maintaining, financing, mortgaging, improving, operating, leasing, managing, using, refinancing, selling, subdividing, or otherwise dealing with the Properties and the Project; and

WHEREAS, pursuant to and in accordance with the provisions of the Long Term Tax Exemption Law, constituting Chapter 431 of the Pamphlet Laws of 1991 of the State, and the acts amendatory thereof and supplement thereto (the “Long Term Tax Exemption Law”, as codified in N.J.S.A. 40A:20-1 et seq.), the Borough is authorized to provide for payment in lieu of taxes within a redevelopment area; and

WHEREAS, the Entity submitted an application, dated June 28, 2017 for the approval of a Project, as such term is used in the Long Term Tax Exemption Law, all in accordance with N.J.S.A. 40A:20-8 (the “Exemption Application”, a copy of which is attached hereto as Exhibit A); and

WHEREAS, the Entity also submitted a Fiscal Impact Analysis for the Project, prepared by John McDonough Associates, LLC, dated January 28, 2017 with the application; and

WHEREAS, the Exemption Application requested a 30-year term for a financial agreement and an annual service charge based on 10% of annual gross revenues, which % of annual gross revenues is proposed to increase over the term; and

WHEREAS, pursuant to the Long Term Tax Exemption Law, the Borough is authorized to enter into a financial agreement with a redeveloper for payment of an annual service charge for municipal services in lieu of taxes for market rate housing and commercial projects; and

WHEREAS, the Entity has requested that the Borough enter into a financial agreement for payment of an annual service charge for municipal services in lieu of taxes (the “Financial Agreement”)for the Project; and

WHEREAS, the Borough and the Entity have reached agreement with respect to, among other things, the terms and conditions relating to the Annual Service Charges and desire to execute the Financial Agreement, which terms and conditions are stated below.

NOW, THEREFORE, BE IT ORDAINED AND ENACTED by the Borough Council of the Borough of Bound Brook, County of Somerset, New Jersey, as follows:

Section 1. The Borough acknowledges that 507 East Main Street Urban Renewal, LLC, by effectuating the redevelopment of the Project, will significantly limit its profits due to the extraordinary costs to be borne by the Entity, which will provide significant and long-term benefits to the Borough of Bound Brook.

Section 2. The Borough makes the following findings:

A. Relative benefits of the Project when compared to the costs:

1. The Properties currently generate \$19,009 in real estate tax revenue to the Borough, including the Borough Properties which

are currently tax exempt. The projected Annual Service Charge will generate revenue at full build out to the Borough of approximately \$247,929.

2. It is estimated that the Project will create jobs during construction and ten (10) new permanent jobs;

3. The Project should stabilize and contribute to the economic growth of existing local business and to the creation of new business, which will serve the new residents and attract additional people to the Borough;

4. The Project will further the redevelopment objectives of the Redevelopment Plan for Redevelopment Area 1; and

5. The redevelopment of the Properties will greatly improve the downtown neighborhood.

6. The Borough has determined that the benefits of the Project significantly outweigh the costs to the Borough.

B. Assessment of the importance of the Tax Exemption defined in obtaining development of the Project and influencing the locational decisions of probable occupants:

1. The relative stability and predictability of the Annual Service Charge will make the Project more attractive to investors and lenders needed to finance the Project; and

2. The relative stability and predictability of the Annual Service Charge will allow stabilization of the Project operating budget, allowing a high level of urban design, aesthetics and amenities as well as the use of high quality materials which will maintain the appearance of the buildings over the life of the Project, which will insure the likelihood of the success of the Project and insure that it will have a positive impact on the surrounding area.

Section 3. The Exemption Application is hereby accepted and approved.

Section 4. The Financial Agreement shall be for a thirty (30) year term with an annual service charge starting at 10% of annual gross revenues from the Project and increasing .5% every five (5) years over the first 20 years of the term and shall increase 1% every five years over the last ten (10) years of the term, all in accordance with the Long Term Tax Exemption Law.

Section 5. The Financial Agreement is hereby authorized to be executed and delivered on behalf of the Borough by the Mayor in substantially the form attached hereto as Exhibit B. The Borough Clerk is hereby authorized and directed to attest to the execution of the Financial Agreement by the Mayor and to affix the corporate seal of the Borough to the Financial Agreement.

Section 6. The Borough shall not be obligated to execute the Financial Agreement until such time as the Entity has closed on the acquisition of the Properties.

Section 7. This ordinance shall take effect upon final passage and publication as required by law.

EXHIBIT A

EXEMPTION APPLICATION

EXHIBIT B

FORM OF FINANCIAL AGREEMENT