

PRRC Project Update
June 19, 2015

At the June 3, 2015 meeting of the Township Committee, the Committee approved the introduction of an Ordinance that would allow the Township to issue up to \$1,500,000 in Bond Anticipation Notes (BANs). The Committee did this so the planning, engineering, permitting, legal and financial work for the proposed wastewater treatment plant and collection system can continue and in anticipation of permanent, low interest loans that are expected to be obtained through the New Jersey Environmental Infrastructure Trust Fund (NJEIT). NJEIT cannot issue a construction or permanent loan until the sewer project is fully designed and permitted. As reported in earlier updates on the sewer project, the Committee also took this action to be in compliance with the Redevelopment Agreement signed with Lennar in October 2014. Lennar is the redeveloper for the planned 450 unit senior housing project proposed on the 158 acres of land off of Jacobstown Road. In May 2015, Lennar and the owners of the 158 acres, referred to as the PRRC (Planned Residential Retirement Community) Property, entered into an Agreement for the purchase of this property.

Of the up to \$1,500,000 the Ordinance would authorize, over half of this amount, \$861,000, is for engineering and permitting costs all associated with the sewer project. These tasks include the preliminary design and final construction documents as well as preparation of the bid documents for the treatment plant and the sewer collection system. Others items included in the budget are for an aerial topographic survey, permit fees, property appraisals and costs associated with the operation of the Plumsted Municipal Utilities Authority in furtherance of this project. It is anticipated the Township would issue the BANs in at least two phases to keep the Township's financial exposure to a minimum and not to issue or use any of the proceeds of the BANs until the surface water discharge permit from NJDEP is finally issued. The NJDEP issued a draft of its permit in October 2014 and the final permit is expected in September 2015. The other major permit needed for the sewer project from the Delaware River Basin Commission was approved on June 10, 2015.

The proceeds from the BANs will be needed over the next 12 to 18 months until the sewer project and the senior housing project are construction ready. At this point, the BANs, along with the future construction financing for the project, are expected to be rolled into a 20 to 30 year low interest loan from NJEIT. Until that time, interest and principal payable at the one year maturity of the BAN will be either capitalized or paid from the rollover BAN or NJEIT financing. While there is always risk involved in a transaction of this kind, every effort is being taken to reduce the financial risk to the taxpayer. The process will require the State's Local Finance Board approval. Once the NJEIT loan is secured, repayment of this loan will be from guaranteed annual payments the Township will receive from Lennar (totaling approximately \$8,000,000) and PILOT payments (Payment in Lieu of Property Taxes). According to our Financial Advisor, these two sources of revenue from the Redevelopment Project are projected to be more than sufficient to pay the projected debt service on the NJEIT loan without any taxpayer contribution.