

Guest Editorial
By the West Windsor Township Redevelopment Finance Committee
February 22, 2008

The Redevelopment Finance Committee was formed by the West Windsor Township Council to focus on the financial issues bearing on the designated 350 acre redevelopment area surrounding the Princeton Junction Train Station.

Members of the Redevelopment Finance Committee are Charlie Morgan and Linda Geevers, Council Representatives; Mayor Shing-Fu Hsueh; Ron Rumack, Public Representative and Member of the West Windsor Parking Authority; Cosmo Iacavazzi and Steve Manzari, Public Representatives; and Simon Pankove and Steve Decter, Planning Board Representatives.

The Committee is reviewing the feasibility of financing options and the feasibility of each option for future redevelopment work.

The Committee is focusing on those options with the objective of assuring West Windsor taxpayers that they will not bear the cost of redevelopment, including indirect additional costs for education, police, and fire protection. (Note that additional costs for education will not be an issue after 2009 because of the agreement reached between West Windsor and Plainsboro to use per pupil costs instead of total asset values.)

The Committee has identified Tax Increment Financing (TIF) as a commonly-used financing technique that allows for the financing of infrastructure and amenities desired by West Windsor residents while limiting risk to the Township and offering the potential to pay for related costs such as additional police, fire, and educational expenses.

TIF features the issuance of bonds to private and institutional investors that will finance redevelopment. In the worst-case scenario that the bonds cannot be repaid due to a short-fall in TIF revenues, the investors will not be permitted to look to West Windsor taxpayers for repayment. The investors will fully bear the risk of loss if TIF revenues are insufficient to repay the bonds. The investors will have the usual and customary recourse of pursuing the tax liens for any unpaid taxes by property owners.

Once the Committee completes its assessment of TIF and other financing options, it will make a final recommendation to Council. If Council decides to use TIF, an investment banking firm would be retained to supervise the issuance of bonds to investors, the proceeds of which will finance the cost of redevelopment. The investment banking firm and other expenses of TIF would not be paid by the Township but would be paid from the bond proceeds in the normal course of underwriting the sale of the bonds to investors.

As an example of how TIF works, assume hypothetically that a redevelopment area currently generates \$3 million in tax revenues annually. As the result of an approved redevelopment plan, assume that the indirect annual costs of redevelopment (e.g., for additional police, fire protection, and education) are an additional \$1 million. Assume further that the increased value of the redeveloped properties will generate \$16 million in total annual tax revenues.

In this example under TIF, the tax increment is \$13 million, \$1 million of which is available to pay for the new police, fire, and education costs resulting from redevelopment, leaving \$12 million to pay off the bonds.

If taxes in the redevelopment area during the following year increase to \$17 million, the additional \$1 million is available immediately for the benefit of all taxpayers. When the bonds mature, the entire original \$13 million increment along with any subsequent increases in taxes from the redevelopment area are available for the benefit of all taxpayers.

The Committee will verify that TIF, along with the other feasible financing options available to the Township, can finance the infrastructure and amenities in the redevelopment area desired by residents without burdening taxpayers with the cost. The Committee will advise the Council on TIF and those other financing options as they relate to varying scale and scope scenarios.

The Committee intends to verify that TIF and those other financing options work even if redevelopment is limited to the modest scale desired by West Windsor residents.

The Committee will then discuss a possible recommendation that Council work with the Mayor to identify an investment banking firm to undertake a TIF initiative in the context of a redevelopment plan embraced by the West Windsor community. The scale and scope of that redevelopment plan will be determined by the Township Council.