



PRESS RELEASE  
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## **Hidden Costs in Flemington Redevelopment Agreement**

The Borough of Flemington released a 57-page legal agreement with its designated Redeveloper, identified in the document as Flemington Urban Renewal LLC, on March 9.

With only a few days for the community to digest the lengthy agreement before a March 13 Borough Council meeting to vote on its approval, the Friends of Historic Flemington asked redevelopment attorney M. James Maley Jr. to review the agreement to provide insight that would help the average resident understand its implications.

Maley concluded, "There appear to be many hidden municipal costs to the Borough of Flemington and to its taxpayers."

"First, there are the costs for the water and sewer infrastructure. Section 4.4(c), obligates the Redeveloper to construct water and sewer infrastructure, but it caps the Redeveloper's financial obligation at \$2 million."

"The agreement is not clear as to who has to pay for any infrastructure costs that exceed \$2 million. Presumably, it's the Borough who will be on the hook," he said.

"In addition, that \$2 million investment by the Redeveloper is not actually coming out of the Redeveloper's pocket. Rather, Section 4.4(c) provides that the 'Redeveloper shall receive an [unlimited] dollar for dollar credit for all Public Improvements to the water distribution system and sewer collection systems ... against all water and sewer connection fees.' And the estimated cost for these systems have not been provided to the public."

"This means that the \$2 million in infrastructure improvements will end up being borne by the water and sewer users whose rates will need to increase to cover the \$2 million that would have been collected from the Redeveloper in the water and sewer connection fees."

Maley also noted, "Another hidden cost to the Borough is the provision of \$1 million in non-recourse redevelopment area bonds."

"Section 4.6(c) of the agreement obligates the Borough to issue these bonds and to secure payment of the bonds by the execution of a financial agreement. However, this means that the tax monies that would otherwise be paid under the financial agreement will be diverted to pay back the bonds."

“In other words, the Borough will not receive over \$1 million in additional tax revenue from the project because it will be used to pay back the bonds.”

Maley explained further, “Section 14.1 indicates that if a Financial Agreement is not executed by the parties ‘after a reasonable amount of time ...’ then the parties can mutually agree to terminate the Redevelopment Agreement.”

“This language, coupled with the fact that an urban renewal entity is executing the Redevelopment Agreement, indicates that the Borough is contemplating a long term tax exemption.”

Maley said, “There are no provisions in the Redevelopment Agreement setting forth any details as to the terms of the proposed long term abatement. There are no indications as to how much exemption will be given, nor how long the exemption will last. And, there are no indications as to the costs of the project or how much tax revenue is expected to be generated by the project.”

“There has been no fiscal analysis to determine what the impact of the proposed project will be on the schools and upon municipal services,” Maley concluded.

Flemington Borough officials have stated previously that the Union Hotel block redevelopment project would incorporate a Payment In Lieu of Taxes (PILOT). Declaring the project tax-exempt absolutely means that *all other taxpayers in Flemington will pay more in their municipal, school and county taxes.*

The extent of the tax increases created by the exemptions to be granted under this agreement are uncertain not just for Flemington Borough residents, but for taxpayers throughout Hunterdon County who would shoulder any shortfall needed to fund county tax obligations. Residents countywide would be wise to contact their County officials to better understand how this Redevelopment Agreement will impact their taxes.

The Friends of Historic Flemington supports adaptive reuse of the county seat’s historic buildings. The Friends believe the Union Hotel and three adjacent buildings in the heart of the borough’s historic district can be a productive, financially feasible part of any redevelopment. Redeveloping the Union Hotel and its surrounding properties allows the Borough to build its future by restoring our past.

Learn more at [www.FriendsofHistoricFlemington.com](http://www.FriendsofHistoricFlemington.com).

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