

Frequently Asked Questions (FAQ) About PILOTs

1. What is a PILOT?

A **PILOT** (Payment In Lieu Of Taxes) is an agreement between the Borough and a developer in which the property owner makes fixed annual payments to the municipality instead of paying traditional property taxes for a set period.

In New Jersey, PILOTs are authorized under state redevelopment law and are commonly used for projects in designated redevelopment areas.

2. Why would Bernardsville consider a PILOT?

Downtown redevelopment is complex and expensive. Projects near the NJ Transit rail station often require:

- Structured parking
- Property assembly
- Infrastructure upgrades
- Mixed-use construction

A PILOT may be considered when a project would not move forward without financial certainty.

The goal is to:

- Revitalize underutilized properties
- Increase foot traffic for local businesses
- Strengthen downtown vibrancy
- Improve long-term ratables

3. Is this a tax break for developers?

It is not a tax exemption.

Instead of traditional property taxes (which can be appealed), the developer makes a **contractually required annual payment** to the Borough.

The payment structure:

- Is negotiated
- Is legally binding
- Cannot be reduced through tax appeals
- Provides predictable revenue

The key question the Borough evaluates is:

Would this project happen “but for” the PILOT agreement?

4. How does this affect the school district?

Under New Jersey law:

- Most PILOT revenue stays with the municipality.
- The school district does not receive its traditional share of PILOT payments, however whatever the school district sets as the necessary tax levy to support its budget, the Borough is required to pay.

This is one of the most important considerations in suburban communities like Bernardsville.

Before approving any PILOT, the Borough evaluates:

- Estimated number of school-aged children
- Net fiscal impact
- Overall long-term community benefit

5. How long does a PILOT last?

Typically 20–30 years.

After the agreement ends, the property returns to the regular tax rolls at full assessed value.

6. Could the Borough collect more money without a PILOT?

Possibly — but only if:

- The project is financially feasible without one.
- The property would redevelop anyway.

If a property remains underutilized or vacant, the Borough collects significantly less revenue than it would from a completed project.

The analysis compares:

- Current tax revenue
- Projected PILOT payments
- Projected conventional tax revenue

7. Why not just let the market decide?

In a built-out downtown like Bernardsville:

- Sites are limited.
- Construction costs are high.
- Structured parking is expensive.
- Mixed-use buildings carry financial risk.

A PILOT can help close funding gaps for projects that align with long-term planning goals.

8. What protections does the Borough negotiate?

A well-structured PILOT agreement may include:

- Minimum annual payment guarantees
- Required affordable housing
- Public parking components
- Streetscape improvements
- Design standards consistent with village character
- Construction timelines

The Borough uses the agreement to secure public benefits.

9. Does this increase my property taxes?

A PILOT does not automatically increase taxes.

In fact, if structured properly, it can:

- Increase municipal revenue
- Reduce appeal risk
- Spread the tax burden more broadly

The financial analysis must show a net positive or neutral impact to the community.

10. Is this common in New Jersey?

Yes. Many municipalities use PILOT agreements for downtown redevelopment and transit-oriented projects under New Jersey redevelopment law.

Each agreement is project-specific and negotiated individually.

11. What happens if the project underperforms?

The Borough can negotiate:

- Minimum payment floors
- Escalation clauses
- Enforcement provisions

The agreement is legally binding.

12. How does this align with Bernardsville's long-term goals?

Downtown revitalization goals often include:

- Increased pedestrian activity
- Support for local businesses
- Modernized housing near transit
- Replacement of underperforming properties
- Stronger and more predictable municipal revenue

The question is not whether a PILOT is good or bad.

The question is:

Does this agreement produce better outcomes than doing nothing?

Final Thought

A PILOT is a redevelopment tool — not a giveaway.

It should only be used when:

- There is clear financial justification
- The project advances downtown goals
- The public benefits outweigh the costs
- Transparency and fiscal responsibility are maintained