GREEN ACRES

LOCAL GOVERNMENT UNIT AND NONPROFIT GUIDE

Highlands Hypothetical Land Value

Green Acres requires applicants to obtain appraisals to establish the fair market value of land that will ultimately be acquired and held for public recreation and conservation purposes. That fair market value, as established by Green Acres, sets the limit of our funding participation.

The Highlands Water Protection and Planning Act established new appraisal requirements for acquisition projects in the Highlands Region. These requirements were extended by subsequent legislation, most recently the Preserve New Jersey Act, P.L. 2019, c 136. From August 10, 2004 until June 30, 2024, appraisals of land in the Highlands to be acquired for recreation and conservation purposes must be prepared under two scenarios: (1) using the land use zoning of the lands and any State environmental laws or DEP rules and regulations that may affect the value of the lands in effect at the time of the proposed acquisition; and (2) using the land use zoning of the lands and any State environmental laws or DEP rules and regulations that may affect the value of the lands in effect on January 1, 2004. The value established through scenario (2) is the Hypothetical Land Value.

This requirement applies only to those lands for which the owner at the time of proposed acquisition is either the same person who owned the lands on August 10, 2004 or is an immediate family member. (The term "immediate family member" is defined in the Act.) The requirement does not apply if Federal moneys will be used in the acquisition.

How it applies to a project:

Until the sunset of this provision, Green Acres will base its participation on the *greater* of either (a) the purchase price, up to the Hypothetical Land Value or (b) the Certified Market Value (CMV). As always, under no circumstances will the Green Acres disbursement exceed the amount actually paid for the property. *In other words…*If the **purchase price** paid for the parcel by local government unit or nonprofit exceeds the CMV, Green Acres' participation will be based on the purchase price, **up to** the Hypothetical Land Value.

<u>Donation/Matching Share:</u>
If the CMV exceeds the purchase price, the difference between the CMV and the purchase price is considered a donation of land value. Therefore, the local government unit/nonprofit may use that difference as its matching share of the cost of acquisition. However, consistent with tax rules, Green Acres does **not** consider the difference between the hypothetical land value and the purchase price to be a donation. Therefore, that difference cannot be used as the local government unit/nonprofit's matching share of the cost of acquisition.

9/2020

The following examples are based on a 50% matching grant project:

Example 1

Hypothetical Land Value: $100
Certified Market Value: $ 80
Purchase Price: $ 80
Green Acres grant is: $ 40
(Reason: Grant disbursement is 50% of CMV)

Example 2

Hypothetical Land Value: $100
Purchase Price: $100
Certified Market Value: $ 80
Green Acres grant is: $50
(Reason: Grant is based on 50% of purchase price because, although it exceeds CMV, it is equal to or below HLV)

Example 3

Purchase Price: $110
Hypothetical Land Value: $100
Certified Market Value: $ 80
Green Acres grant is: $ 50
(Reason: Grant is based on 50% of HLV. Applicant responsible for overage paid above HLV.)

Example 4

Hypothetical Land Value: $100
Certified Market Value: $ 80
Purchase Price: $ 40
Green Acres grant is: $40
(Reason: 50% of CMV. Difference between CMV and PP is donation/matching share)

Example 5

HLV: $100
CMV: $ 80
PP: $ 30
GA grant will be: $30
(Reason: 50% of CMV is eligible, but grant cannot exceed purchase price. Excess donation ($10) will be a “credit” to be used by the local government unit/nonprofit as part of its matching share of the next parcel in the project to be acquired.)