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How Berkeley Heights Used PILOT Agreements to Finance a \$32 Million Building – and Why the School District Is Now Asking Questions

BERKELEY HEIGHTS, N.J. — Long before the first shovel broke ground on Berkeley Heights' \$32 million Municipal Complex, Township officials were working out how to pay for it — not just in year one, but for decades. Their answer was PILOTs: Payment In Lieu of Taxes agreements with redevelopers. Under a PILOT, 95% of payments go directly to the municipality and 5% to the county — bypassing the school district entirely.

In 2018, officials predicted the average homeowner would see a modest \$3 increase in their municipal tax bill as a result. By February 2020, Township Bond Counsel Matt Jessup was telling residents the number had flipped to negative \$11 — meaning a net decrease for the owner of a home at the Township's average assessed value.

“Projected vs. reality,” Jessup said at the February 18, 2020 Township Council meeting. “A lot has happened in the last 18 to 20 months and, as a result, the revenue understanding, the debt service understanding and the tax impact understanding is coming into a sharper focus.”

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