City of South Amboy

Report of Independent Accountants'
on Applying Agreed Upon Procedures

Payment In Lieu of Taxes (PILOT)
Agreements Initiated After
January 1, 2010 Through December 31, 2022

Report of Independent Accountants'
on Applying Agreed-Upon Procedures

To The Honorable Mayor and
Members of the City Council
City of South Amboy
South Amboy, New Jersey

We have performed the procedures enumerated below, which were agreed to by the Mayor and members of the City Council and Chief Financial Officer of the City of South Amboy (the "City"), (the "specified party") with respect to the entities making payments in lieu of taxes (PILOT) to the City which began after January 1, 2010 through December 31, 2022 solely to assist you in evaluating the PILOT billings and related payments to the City by the respective entities. The City's management is responsible for the PILOT billings and receipts records pertaining to the respective entities. The procedures performed may not address all items of interest to a user of this report and may not meet the needs of all users of this report and as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

In performing our procedures relating to the PILOT billings and cash receipts, the following information was provided or made available to us by the City:

1. Financial Agreements and/or City resolutions relating to redevelopers identified as making payments in lieu of taxes to the City beginning after January 1, 2010
2. Billing and cash receipt records pertaining to the identified PILOT's maintained by the City tax collector
3. Audit reports for entities required to submit an annual audit to the City in order to validate annual revenues

PKF O'CONNOR DAVIES, LLP
300 Tice Boulevard, Suite 315, Woodcliff Lake, NJ 07677 I Tel: 201.712.9800 I Fax: 201.712.0988 I www.pkfod.com

City of South Amboy

Payment In Lieu of Taxes (PILOT)
Agreements Initiated After
January 1, 2010 Through December 31, 2022

The procedures we performed and the associated findings are as follows:

1. Determine and identify all entities that began making payments in lieu of taxes to the City beginning after January 1, 2010.

   Finding
   The following entities began making payments in lieu of taxes to the City beginning after January 1, 2010.

   A. Hillcrest Manor at South Amboy LLC (Hillcrest)

   The PILOT was effective January 1, 2011 as per City Resolution No. 181-2011 based upon an Agreement for Payment in Lieu of Taxes with Hillcrest Management and Development Corp. dated June 7, 2001.

   B. Woodmont Amboy Urban Renewal, LLC also known as Bayside Cove Urban Renewal LLC (Bayside Cove)

   The PILOT took affect in the calendar year 2018 as a result of the issuance of a certificate of occupancy and based upon a Financial Agreement dated May 16, 2016.

   C. Samboy Partners Urban Renewal LLC also known as Station Bay (Station Bay)

   The PILOT took affect as a result of the issuance of a certificate of occupancy dated May 11, 2022 and based upon a Financial Agreement dated February 28, 2019.

2. For the entities identified in Item No. 1 above, determine the annual service charge (ASC) methodology based upon supporting documents including City resolutions and/or the respective entities Financial Agreement.

   A. Hillcrest

   The annual service charge (ASC) is setforth in Item 4 of the Agreement for Payment in Lieu of Taxes. The ASC is a specific amount per year for the term of the PILOT. After year 19, the amount required per year is the same for the remaining term of the developers New Jersey Housing and Mortgage Finance Agency (NJHMFA) mortgage. It should be noted the language in the agreement omitted the ASC amount for year 3, however it was assumed the ASC for year 3 would equal the amount required for year 2.

   There is no annual administrative charge to be paid to the City by the developer. Schedule 1 reflects the ASC for each year from 2011 through 2040 which coincides with the term of the NJHMFA mortgage.

B. Bayside Cove

The annual service charge is setforth in Section 4.03 of the Financial Agreement and is based upon an amount equal to a percent of annual gross revenues or the minimum annual service charge. The percentage is in increments beginning at 13.5% in year one to 15% beginning in year 16. The percentages for each year are included on Schedule 2. The minimum annual service charge equals the taxes levied on the real property of the project site in the last full year the project was subject to taxation. Beginning in year 16 of the agreement through year 30, the ASC will be the greater of the respective year's percentage of annual gross revenues or a percentage of taxes otherwise due. Schedule 2 presents a comparison of the respective year's percentage of annual gross revenues versus the percentage of taxes otherwise due.

The entity is required to pay an annual administrative fee computed as two percent (2%) of the annual service charge. The entity also receives a credit each year for the land taxes paid in the prior year.

C. Station Bay

The annual service charge is setforth in Section 4.03 of the Financial Agreement and is based upon an amount equal to percentage of the annual gross revenues or the minimum annual service charge. The percentage is in increments beginning at 10.5% in year 1 to 13% beginning in year 21. The percentages for each year are included on Schedule 3. The minimum annual service charge equals the taxes levied on the real property of the project in the last full tax year the project was subject to taxation. Beginning in year 9 of the agreement through year 25 the ASC will be the greater of the respective year's percentage of annual gross revenues or a percentage of taxes otherwise due. Schedule 3 presents a comparison of the year's respective percentage of annual gross revenues versus the percentage of taxes otherwise due.

The entity is required to pay as annual administrative fee computed as two percent (2%) of the annual service charge. The entity also receives a credit each year for the land taxes paid in the prior year.

3. From inception of the PILOT through December 31, 2022, compare the ASC, administrative charge if applicable, and land credit, if applicable, per the documents identified in Item No. 2 above to actual amounts billed by the City.

A. Hillcrest

The City under billed Hillcrest for years 2012, 2018, 2019, 2020 and 2022. The amount underbilled was $14,561.64 (See Schedule 1).

B. Bayside Cove

The City receives payments from the entity based upon a calculation of unaudited gross revenues determined by Woodmont. The entity credited the ASC for the current year land taxes rather than the prior year land taxes and also calculated the administrative charge on the ASC net of the current year land taxes versus the ASC.

As a result of these billing errors, the entity was underbilled $20,944.43, however, this amount does not reflect the adjustment of the incorrect land tax credit which is still being reviewed by management (See Schedule 4).

C. Station Bay

Amounts billed for 2022 were correct (See Schedule 5).

4. Compare amounts billed as required by the respective documents in Item No. 2 above to actual receipts in the records maintained by the City tax collector.

<u>**Finding**</u>

A. Hillcrest

From inception (2011) through December 31, 2022 the entity paid the City for all amounts billed, however, the entity was underbilled $14,561.64 (See Schedule 6)

B. Bayside Cove

From inception (2018) through December 31, 2022 the entity was underbilled $20,944.43, therefore, actual receipts were less than the required billings by the same amounts (See Schedule 4).

C. Station Bay

Amounts billed for calendar year 2022 was paid in 2023 (See Schedule 7).

City of South Amboy

Payment In Lieu of Taxes (PILOT)
Agreements Initiated After
January 1, 2010 Through December 31, 2022

5. For any entities requiring to submit an annual audit to the City determine if the City has on file a copy of each years audit.

   A. Hillcrest

   Annual audits are not required.

   B. Bayside Cove

   The City only has a copy of the entities 2018 audit. Audits for 2019 through 2021 were not available. The 2022 is not due to the City until March 31, 2023.

   C. Station Bay

   The entities annual audit for calendar year 2022 is not due to March 31, 2023.

6. Determine that the City billed and received the respective "true up" amount for entities requiring to "true up" the tentative PILOT billings based upon the respective entities annual audit.

   A. Hillcrest

   Not applicable.

   B. Bayside Cove

   A true up was not done for 2018, 2019, 2020. A true up was done for 2021 however it was incorrectly calculated as a result of applying the current years land taxes as a credit and calculating the administrative charge on the ASC net of the land tax credit. The 2022 audit is not due to the City until March 31, 2023.

   C. Station Bay

   The 2022 audit is not due until March 31, 2023, therefore a "true up" cannot be completed as of the date of this report.

We were engaged by City of South Amboy to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accompanying Schedules. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

City of South Amboy

Payment In Lieu of Taxes (PILOT)
Agreements Initiated After
January 1, 2010 Through December 31, 2022

We are required to be independent of the Mayor and members of the City Council and Chief Financial Officer of the City of South Amboy and to meet other ethical responsibilities in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Mayor and members of the City Council and Chief Financial Officer (the specified parties) and is not intended to be and should not be used by anyone other than those specified parties.

Woodcliff Lake, New Jersey
March 9, 2023

Schedule 1

City of South Amboy

Hillcrest Manor at South Amboy LLC

Annual Service Charge Versus Actual Billings

Inception To December 31, 2022

Billing Year	Original Agreement Year	Year (Settlement)	Annual Service Charge	Actual Billings	(Over) Under Billing	Cumulative Balance
1	12/14/04-12/13/05	2011	$ 7,509.93	$ 7,509.93		
2	12/14/05-12/13/06	2012	16,839.35	23,782.58	$ (6,943.23)	$ (6,943.23)
3	12/14/06-12/13/07	2013	16,839.35	16,839.35		(6,943.23)
4	12/14/07-12/13/08	2014	30,628.69	30,628.69		(6,943.23)
5	12/14/08-12/13/09	2015	30,628.69	30,628.69		(6,943.23)
6	12/14/09-12/13/10	2016	30,628.69	30,628.69		(6,943.23)
7	12/14/10-12/13/11	2017	30,628.69	30,628.69		(6,943.23)
8	12/14/11-12/13/12	2018	36,293.68	30,628.69	5,664.99	(1,278.24)
9	12/14/12-12/13/13	2019	36,293.68	30,628.71	5,664.97	4,386.73
10	12/14/13-12/13/14	2020	36,293.68	30,628.70	5,664.98	10,051.71
11	12/14/14-12/13/15	2021	36,293.68	36,293.68	-	10,051.71
12	12/14/15-12/13/16	2022	40,803.61	36,293.68	4,509.93	14,561.64
13	12/14/16-12/13/17	2023	40,803.61			
14	12/14/17-12/13/18	2024	40,803.61			
15	12/14/18-12/13/19	2025	40,803.61			
16	12/14/19-12/13/20	2026	48,313.54			
17	12/14/20-12/13/21	2027	48,313.54			
18	12/14/21-12/13/22	2028	48,313.54			
19	12/14/22-12/13/23	2029	48,313.54			
20	12/14/23-12/13/24	2030	51,313.54			
21	12/14/24-12/13/25	2031	51,313.54			
22	12/14/25-12/13/26	2032	51,313.54			
23	12/14/26-12/13/27	2033	51,313.54			
24	12/14/27-12/13/28	2034	51,313.54			
25	12/14/28-12/13/29	2035	51,313.54			
26	12/14/29-12/13/30	2036	51,313.54			
27	12/14/30-12/13/31	2037	51,313.54			
28	12/14/31-12/13/32	2038	51,313.54			
29	12/14/32-12/13/33	2039	51,313.54			
30	12/14/33-12/14/34	2040	51,313.54			
			$ 1,229,795.65			

Schedule 2

City of South Amboy

Woodmont Amboy Urban Renewal LLC (Bayside Cove)

Annual Service Charge Versus Taxes Otherwise Due

Billing Year	Annual Service Charge Percent	Taxes Otherwise Due Percent
1	13.50%	0%
2	13.50%	0%
3	13.50%	0%
4	13.50%	0%
5	13.50%	0%
6	14.00%	0%
7	14.00%	0%
8	14.00%	0%
9	14.00%	0%
10	14.00%	0%
11	14.50%	0%
12	14.50%	0%
13	14.50%	0%
14	14.50%	0%
15	14.50%	0%
16	15.00%	20%
17	15.00%	20%
18	15.00%	20%
19	15.00%	20%
20	15.00%	20%
21	15.00%	20%
22	15.00%	40%
23	15.00%	40%
24	15.00%	40%
25	15.00%	40%
26	15.00%	40%
27	15.00%	40%
28	15.00%	60%
29	15.00%	60%
30	15.00%	80%

City of South Amboy
Samboy Partners Urban Renewal LLC (Station Bay)
Annual Service Charge Versus Taxes Otherwise Due

Billing Year	Annual Service Charge Percent	Taxes Otherwise Due Percent
1	10.50%	0%
2	10.50%	0%
3	10.50%	0%
4	10.50%	0%
5	10.50%	0%
6	10.50%	0%
7	10.50%	0%
8	10.50%	0%
9	10.50%	20%
10	10.50%	20%
11	12%	20%
12	12%	20%
13	12%	20%
14	12%	20%
15	12%	40%
16	12%	40%
17	12%	40%
18	12%	40%
19	12%	40%
20	12%	40%
21	13%	60%
22	13%	60%
23	13%	60%
24	13%	60%
25	13%	80%

City of South Amboy
Woodmont Amboy Urban Renewal LLC (Bayside Cove)
Inception To December 31, 2022

Billing Year	Year (Settlement)	ASC %	Annual Unaudited Revenue	Annual Service Charge	Prior Year Land Tax	Administrative Charge	Net Pilot Revenue	Billings/ Cash Receipts	Balance Owed	Cumulative Balance Owed
1	2018	13.5%	$ 1,326,523.00	$ 179,080.61	$ 93,538.55	$ 3,581.61	$ 89,123.67	$ 87,520.00	$ (1,603.67)	$ (1,603.67)
2	2019	13.5%	3,305,267.00	446,211.05	180,840.72	8,924.22	274,294.55	268,606.24	(5,688.31)	(7,291.97)
3	2020	13.5%	3,214,920.12	434,014.22	181,696.48	8,680.28	260,998.02	254,495.28	(6,502.74)	(13,794.71)
4	2021	13.5%	3,518,042.23	474,935.70	185,993.46	9,498.71	298,440.96	295,076.10	(3,364.86)	(17,159.57)
5	2022	13.5%	3,424,686.05	462,332.62	189,243.04	9,246.65	282,336.23	278,551.37	(3,784.86)	(20,944.43)

Schedule 4A

City of South Amboy
Woodmont Amboy Urban Renewal LLC (Bayside Cove)
Summary of Revenue by Calender Quarter
Inception To December 31, 2022

Year	Q1	Q2	Q3	Q4	Total
2018			$ 72,033.30	$ 107,047.70	$ 179,081.00
2019	$ 113,170.10	$ 115,603.20	110,985.80	106,451.96	446,211.06
2020	109,350.00	106,490.15	107,574.52	110,599.55	434,014.22
2021	113,508.02	117,433.73	120,698.35	123,295.60	474,935.70
2022	116,128.58	111,958.83	115,094.06	119,151.15	462,332.62

Schedule 4B

City of South Amboy
Woodmont Amboy Urban Renewal LLC (Bayside Cove)
Summary of Land Taxes by Calender Quarter
Inception To December 31, 2022

Year	Q1	Q2	Q3	Q4	Total
2018			$ 48,463.33	$ 45,075.22	$ 93,538.55
2019	$ 44,366.13	$ 44,366.10	47,000.00	45,108.49	180,840.72
2020	44,698.50	44,698.50	46,149.74	46,149.74	181,696.48
2021	45,424.14	45,424.14	47,528.06	47,617.12	185,993.46
2022	46,520.64	46,520.64	48,100.88	48,100.88	189,243.04

Schedule 5

City of South Amboy
Samboy Partners Urban Renewal LLC (Station Bay)
ASC and Administrative Charge Versus Billings
Inception To December 31, 2022

Year	Q1	Q2	Q3	Q4	Total	Pilot %	Annual Service Charge	Administrative Percentage	Administrative Charge	Total	Total Billings	Variance
2022	$ 94,930.64	$ 484,362.20	$ 932,613.81	$ 1,454,962.41	$ 2,966,869.06	10.50%	$ 311,521.25	2%	$ 6,230.43	$ 317,751.68	$ 317,751.68	$ -

Schedule 6

City of South Amboy
Hillcrest Manor at South Amboy LLC
Annual Service Charge Versus Cash Receipts
Inception To December 31, 2022

Billing Year	Original Agreement Year	Year (Settlement)	Annual Service Charge	Cash Receipts	Balance	Cumulative Balance
1	12/14/04-12/13/05	2011	$ 7,509.93	$ 7,509.93		
2	12/14/05-12/13/06	2012	16,839.35	23,782.58	$ (6,943.23)	$ (6,943.23)
3	12/14/06-12/13/07	2013	16,839.35	16,839.35		(6,943.23)
4	12/14/07-12/13/08	2014	30,628.69	30,628.69		(6,943.23)
5	12/14/08-12/13/09	2015	30,628.69	30,628.69		(6,943.23)
6	12/14/09-12/13/10	2016	30,628.69	30,628.69		(6,943.23)
7	12/14/10-12/13/11	2017	30,628.69	30,628.69		(6,943.23)
8	12/14/11-12/13/12	2018	36,293.68	30,628.69	5,664.99	(1,278.24)
9	12/14/12-12/13/13	2019	36,293.68	30,628.71	5,664.97	4,386.73
10	12/14/13-12/13/14	2020	36,293.68	30,628.70	5,664.98	10,051.71
11	12/14/14-12/13/15	2021	36,293.68	36,293.68	-	10,051.71
12	12/14/15-12/13/16	2022	40,803.61	36,293.68	4,509.93	14,561.64
13	12/14/16-12/13/17	2023	40,803.61			
14	12/14/17-12/13/18	2024	40,803.61			
15	12/14/18-12/13/19	2025	40,803.61			
16	12/14/19-12/13/20	2026	48,313.54			
17	12/14/20-12/13/21	2027	48,313.54			
18	12/14/21-12/13/22	2028	48,313.54			
19	12/14/22-12/13/23	2029	48,313.54			
20	12/14/23-12/13/24	2030	51,313.54			
21	12/14/24-12/13/25	2031	51,313.54			
22	12/14/25-12/13/26	2032	51,313.54			
23	12/14/26-12/13/27	2033	51,313.54			
24	12/14/27-12/13/28	2034	51,313.54			
25	12/14/28-12/13/29	2035	51,313.54			
26	12/14/29-12/13/30	2036	51,313.54			
27	12/14/30-12/13/31	2037	51,313.54			
28	12/14/31-12/13/32	2038	51,313.54			
29	12/14/32-12/13/33	2039	51,313.54			
30	12/14/33-12/14/34	2040	51,313.54			
			$ 1,229,795.65			

City of South Amboy
Samboy Partners Urban Renewal LLC (Station Bay)
Net Billings Versus Cash Receipts
Inception To December 31, 2022

Year	Total Billings	Less: Prior Year Land Tax	Net Billings	Cash Receipts	Balance
2022	$ 317,751.68	$ 158,675.00	$ 159,076.68	$ 159,076.68	$ -