

SENATE, No. 59

STATE OF NEW JERSEY 218th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2018 SESSION

Sponsored by:

Senator TROY SINGLETON

District 7 (Burlington)

Senator DECLAN J. O'SCANLON, JR.

District 13 (Monmouth)

SYNOPSIS

Requires municipalities to share certain payments received in lieu of property taxes with school districts; informs counties and school districts of application for property tax exemption.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



(Sponsorship Updated As Of: 5/14/2019)

1 AN ACT concerning long-term tax exemptions and amending
2 P.L.1991, c.431.

3

4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6

7 1. Section 3 of P.L.1991, c.431 (C.40A:20-3) is amended to
8 read as follows:

9 3. As used in P.L.1991, c.431 (C.40A:20-1 et seq.):

10 a. "Gross revenue" means annual gross revenue or gross shelter
11 rent or annual gross rents, as appropriate, and other income, for
12 each urban renewal entity designated pursuant to P.L.1991, c.431
13 (C.40A:20-1 et seq.). The financial agreement shall establish the
14 method of computing gross revenue for the entity, and the method
15 of determining insurance, operating and maintenance expenses paid
16 by a tenant which are ordinarily paid by a landlord, which shall be
17 included in the gross revenue; provided, however, that any federal
18 funds received, whether directly or in the form of rental subsidies
19 paid to tenants, by a nonprofit corporation that is the sponsor of a
20 qualified subsidized housing project, shall not be included in the
21 gross revenue of the project for purposes of computing the annual
22 **【services】** service charge for **【municipal】** public services supplied
23 to the project; and provided further that any gain realized by the
24 urban renewal entity on the sale of any unit in fee simple, whether
25 or not taxable under federal or State law, shall not be included in
26 computing gross revenue.

27 b. "Limited-dividend entity" means an urban renewal entity
28 incorporated pursuant to Title 14A of the New Jersey Statutes, or
29 established pursuant to Title 42 of the Revised Statutes, for which
30 the profits and the entity are limited as follows. The allowable net
31 profits of the entity shall be determined by applying the allowable
32 profit rate to each total project unit cost, if the project is undertaken
33 in units, or the total project cost, if the project is not undertaken in
34 units, and all capital costs, determined in accordance with generally
35 accepted accounting principles, of any other entity whose revenue is
36 included in the computation of excess profits, for the period
37 commencing on the date on which the construction of the unit or
38 project is completed, and terminating at the close of the fiscal year
39 of the entity preceding the date on which the computation is made,
40 where:

41 "Allowable profit rate" means the greater of 12% or the
42 percentage per annum arrived at by adding 1 1/4% to the annual
43 interest percentage rate payable on the entity's initial permanent
44 mortgage financing. If the initial permanent mortgage is insured or

EXPLANATION – Matter enclosed in bold-faced brackets **【thus】** in the above bill is
not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 guaranteed by a governmental agency, the mortgage insurance
2 premium or similar charge, if payable on a per annum basis, shall
3 be considered as interest for this purpose. If there is no permanent
4 mortgage financing the allowable profit rate shall be the greater of
5 12% or the percentage per annum arrived at by adding 1 1/4% per
6 annum to the interest rate per annum which the municipality
7 determines to be the prevailing rate on mortgage financing on
8 comparable improvements in the county.

9 c. "Net profit" means the gross revenues of the urban renewal
10 entity less all operating and non-operating expenses of the entity, all
11 determined in accordance with generally accepted accounting
12 principles, but:

13 (1) there shall be included in expenses: (a) all annual service
14 charges paid pursuant to section 12 of P.L.1991, c.431 (C.40A:20-
15 12); (b) all payments to the municipality of excess profits pursuant
16 to section 15 or 16 of P.L.1991, c.431 (C.40A:20-15 or 40A:20-16);
17 (c) an annual amount sufficient to amortize the total project cost
18 and all capital costs determined in accordance with generally
19 accepted accounting principles, of any other entity whose revenue is
20 included in the computation of excess profits, over the term of the
21 abatement as set forth in the financial agreement; (d) all reasonable
22 annual operating expenses of the urban renewal entity and any other
23 entity whose revenue is included in the computation of excess
24 profits, including the cost of all management fees, brokerage
25 commissions, insurance premiums, all taxes or service charges paid,
26 legal, accounting, or other professional service fees, utilities,
27 building maintenance costs, building and office supplies, and
28 payments into repair or maintenance reserve accounts; (e) all
29 payments of rent including, but not limited to, ground rent by the
30 urban renewal entity; (f) all debt service;

31 (2) there shall not be included in expenses either depreciation or
32 obsolescence, interest on debt, except interest which is part of debt
33 service, income taxes, or salaries, bonuses or other compensation
34 paid, directly or indirectly to directors, officers and stockholders of
35 the entity, or officers, partners or other persons holding any
36 proprietary ownership interest in the entity.

37 The urban renewal entity shall provide to the municipality an
38 annual audited statement which clearly identifies the calculation of
39 net profit for the urban renewal entity during the previous year. The
40 annual audited statement shall be prepared by a certified public
41 accountant and shall be submitted to the municipality within 90
42 days of the close of the fiscal year.

43 d. "Nonprofit entity" means an urban renewal entity
44 incorporated pursuant to Title 15A of the New Jersey Statutes for
45 which no part of its net profits inures to the benefit of its members.

46 e. "Project" means any work or undertaking pursuant to a
47 redevelopment plan adopted pursuant to the "Local Redevelopment
48 and Housing Law," P.L.1992, c.79 (C.40A:12A-1 et al.), which has

1 as its purpose the redevelopment of all or any part of a
2 redevelopment area including any industrial, commercial,
3 residential or other use, and may include any buildings, land,
4 including demolition, clearance or removal of buildings from land,
5 equipment, facilities, or other real or personal properties which are
6 necessary, convenient, or desirable appurtenances, such as, but not
7 limited to, streets, sewers, utilities, parks, site preparation,
8 landscaping, and administrative, community, health, recreational,
9 educational and welfare facilities.

10 f. "Redevelopment area" means an area determined to be in
11 need of redevelopment and for which a redevelopment plan has
12 been adopted by a municipality pursuant to the "Local
13 Redevelopment and Housing Law," P.L.1992, c.79 (C.40A:12A-1 et
14 al.).

15 g. "Urban renewal entity" means a limited-dividend entity, the
16 New Jersey Economic Development Authority or a nonprofit entity
17 which enters into a financial agreement pursuant to P.L.1991, c.431
18 (C.40A:20-1 et seq.) with a municipality to undertake a project
19 pursuant to a redevelopment plan for the redevelopment of all or
20 any part of a redevelopment area, or a project necessary, useful, or
21 convenient for the relocation of residents displaced or to be
22 displaced by the redevelopment of all or any part of one or more
23 redevelopment areas, or a low and moderate income housing
24 project.

25 h. "Total project unit cost" or "total project cost" means the
26 aggregate of the following items as related to a unit of a project, if
27 the project is undertaken in units, or to the total project, if the
28 project is not undertaken in units, all of which as limited by, and
29 approved as part of the financial agreement: (1) cost of the land and
30 improvements to the entity, whether acquired from a private or a
31 public owner, with cost in the case of leasehold interests to be
32 computed by capitalizing the aggregate rental at a rate provided in
33 the financial agreement; (2) architect, engineer and attorney fees,
34 paid or payable by the entity in connection with the planning,
35 construction and financing of the project; (3) surveying and testing
36 charges in connection therewith; (4) actual construction costs which
37 the entity shall cause to be certified and verified to the municipality
38 and the municipal governing body by an independent and qualified
39 architect, including the cost of any preparation of the site
40 undertaken at the entity's expense; (5) insurance, interest and
41 finance costs during construction; (6) costs of obtaining initial
42 permanent financing; (7) commissions and other expenses paid or
43 payable in connection with initial leasing; (8) real estate taxes and
44 assessments during the construction period; (9) a developer's
45 overhead based on a percentage of actual construction costs, to be
46 computed at not more than the following schedule:

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1	\$500,000 or less -	10%
2		
3	\$500,000 through \$1,000,000 - \$50,000 plus 8% on	
4	excess above \$500,000	
5		
6	\$1,000,001 through \$2,000,000 - \$90,000 plus 7% on	
7	excess above \$1,000,000	
8		
9	\$2,000,001 through \$3,500,000 - \$160,000 plus 5.6667%	
10	on excess above \$2,000,000	
11		
12	\$3,500,001 through \$5,500,000 - \$245,000 plus 4.25% on	
13	excess above \$3,500,000	
14		
15	\$5,500,001 through \$10,000,000 - \$330,000 plus 3.7778%	
16	on excess above \$5,500,000	
17		
18	over \$10,000,000 -	5%

19

20 If the project includes units in fee simple, with respect to those
21 units, "total project cost" shall mean the sales price of the individual
22 housing unit which shall be the most recent true consideration paid
23 for a deed to the unit in fee simple in a bona fide arm's length sales
24 transaction, but not less than the assessed valuation of the unit in
25 fee simple assessed at 100 percent of true value.

26 If the financial agreement so provides, there shall be excluded
27 from the total project cost: (1) actual costs incurred by the entity
28 and certified to the municipality by an independent and qualified
29 architect or engineer which are associated with site remediation and
30 cleanup of environmentally hazardous materials or contaminants in
31 accordance with State or federal law; and (2) any extraordinary
32 costs incurred by the entity and certified to the chief financial
33 officer of the municipality by an independent certified public
34 accountant in order to alleviate blight conditions within the area in
35 need of redevelopment including, but not limited to, the cost of
36 demolishing structures considered by the entity to be an impediment
37 to the proposed redevelopment of the property, costs associated
38 with the relocation or removal of public utility facilities as defined
39 pursuant to section 10 of P.L.1992, c.79 (C.40A:12A-10)
40 considered necessary in order to implement the redevelopment plan,
41 costs associated with the relocation of residents or businesses
42 displaced or to be displaced by the proposed redevelopment, and the
43 clearing of title to properties within the area in need of
44 redevelopment in order to facilitate redevelopment.

45 i. "Housing project" means any work or undertaking to provide
46 decent, safe, and sanitary dwellings for families in need of housing;
47 the undertaking may include any buildings, land (including
48 demolition, clearance or removal of buildings from land),

1 equipment, facilities, or other real or personal properties or interests
2 therein which are necessary, convenient or desirable appurtenances
3 of the undertaking, such as, but not limited to, streets, sewers,
4 water, utilities, parks; site preparation; landscaping, and
5 administrative, community, health, recreational, educational,
6 welfare, commercial, or other facilities, or to provide any part or
7 combination of the foregoing.

8 j. "Redevelopment relocation housing project" means a
9 housing project which is necessary, useful or convenient for the
10 relocation of residents displaced by redevelopment of all or any part
11 of one or more redevelopment areas.

12 k. "Low and moderate income housing project" means a
13 housing project which is occupied, or is to be occupied, exclusively
14 by households whose incomes do not exceed income limitations
15 established pursuant to any State or federal housing program.

16 l. "Qualified subsidized housing project" means a low and
17 moderate income housing project owned by a nonprofit corporation
18 organized under the provisions of Title 15A of the New Jersey
19 Statutes for the purpose of developing, constructing and operating
20 rental housing for senior citizens under section 202 of Pub.L. 86-
21 372 (12 U.S.C. s.1701q) or rental housing for persons with
22 disabilities under section 811 of Pub.L. 101-625 (42 U.S.C. s.8013),
23 or under any other federal program that the Commissioner of
24 Community Affairs by rule may determine to be of a similar nature
25 and purpose.

26 m. "Debt service" means the amount required to make annual
27 payments of principal and interest or the equivalent thereof on any
28 construction mortgage, permanent mortgage or other financing
29 including returns on institutional equity financing and market rate
30 related party debt for a project for a period equal to the term of the
31 tax exemption granted by a financial agreement.

32 n. "Chief executive officer of the county" means the county
33 executive, county manager, county supervisor, or president of the
34 board of chosen freeholders, as appropriate to the form of
35 government of a county.

36 (cf: P.L.2003, c.125, s.7)

37
38 2. Section 8 of P.L.1991, c.431 (C.40A:20-8) is amended to
39 read as follows:

40 8. Every urban renewal entity qualifying under this act, before
41 proceeding with any projects, shall make written application to the
42 municipality for approval thereof, and shall provide copies of the
43 application, for informational purposes, to the board of chosen
44 freeholders and the chief executive officer of the county within
45 which the municipality is located, and to the board of education and
46 superintendent of any school district, including a regional school
47 district, that is coextensive with the municipality, or of which the
48 municipality is a constituent. The application shall be in a form,

1 and shall certify to those facts and data, as shall be required by the
2 municipality, and shall include but not be limited to:

3 a. A general statement of the nature of the proposed project,
4 that the undertaking conforms to all applicable municipal
5 ordinances, and that the project accords with the redevelopment
6 plan and master plan of the municipality, or, in the case of a
7 redevelopment relocation housing project, provides for the
8 relocation of residents displaced or to be displaced from a
9 redevelopment area, or, in the case of a low and moderate income
10 housing project, the housing units are restricted to occupation by
11 low and moderate income households.

12 b. A description of the proposed project outlining the area
13 included and a description of each unit thereof if the project is to be
14 undertaken in units and setting forth architectural and site plans as
15 required.

16 c. A statement prepared by a qualified architect or engineer of
17 the estimated cost of the proposed project in the detail required,
18 including the estimated cost of each unit to be undertaken.

19 d. The source, method and amount of money to be subscribed
20 through the investment of private capital, setting forth the amount
21 of stock or other securities to be issued therefor or the extent of
22 capital invested and the proprietary or ownership interest obtained
23 in consideration therefor.

24 e. A fiscal plan for the project outlining a schedule of annual
25 gross revenue, the estimated expenditures for operation and
26 maintenance, payments for interest, amortization of debt and
27 reserves, and payments **【to the municipality】** in lieu of taxes to be
28 made pursuant to a financial agreement to be entered into with the
29 municipality.

30 f. A proposed financial agreement conforming to the
31 provisions of section 9 of **【this act】** P.L.1991, c.431 (C.40A:20-9).

32 The application shall be addressed and submitted to the mayor or
33 other chief executive officer of the municipality. The mayor or
34 other chief executive officer shall, within 60 days of his receipt of
35 the application thereafter, submit the application with his
36 recommendations to the municipal governing body. **【The】**
37 Simultaneously therewith, the mayor or other chief executive
38 officer of the municipality shall submit copies of his
39 recommendations to the board of chosen freeholders and the chief
40 executive officer of the county within which the municipality is
41 located and to the board of education and superintendent of any
42 school district, including a regional school district, that is
43 coextensive with the municipality, or of which the municipality is a
44 constituent. Representatives of the county and school district or
45 districts may submit recommendations to the municipal governing
46 body within 10 days after the date of submittal of the
47 recommendations of the mayor or chief executive officer of the
48 municipality. After affording representatives of the county and

1 school district, or districts, a 10-day period to review the proposed
2 project and the recommendations of the mayor or chief executive
3 officer of the municipality, and after giving due consideration to the
4 recommendations submitted by all interested parties, the municipal
5 governing body shall by resolution approve or disapprove the
6 application, but in the event of disapproval, changes may be
7 suggested to secure approval. An application may be revised and
8 resubmitted.

9 (cf: P.L.1991, c.431, s.8)

10
11 3. Section 9 of P.L.1991, c.431 (C.40A:20-9) is amended to
12 read as follows:

13 9. Every approved project shall be evidenced by a financial
14 agreement between the municipality and the urban renewal entity.
15 The agreement shall be prepared by the entity and submitted as a
16 separate part of its application for project approval. The agreement
17 shall not take effect until approved by ordinance of the
18 municipality. Any amendments or modifications of the agreement
19 made thereafter shall be by mutual consent of the municipality and
20 the urban renewal entity, and shall be subject to approval by
21 ordinance of the municipal governing body upon recommendation
22 of the mayor or other chief executive officer of the municipality
23 prior to taking effect.

24 The financial agreement shall be in the form of a contract
25 requiring full performance within 30 years from the date of
26 completion of the project, and shall include the following:

27 a. That the profits of or dividends payable by the urban
28 renewal entity shall be limited according to terms appropriate for
29 the type of entity in conformance with the provisions of P.L.1991,
30 c.431 (C.40A:20-1 et seq.).

31 b. That all improvements and land, to the extent authorized
32 pursuant to section 12 of P.L.1991, c.431 (C.40A:20-12), in the
33 project to be constructed or acquired by the urban renewal entity
34 shall be exempt from taxation as provided in P.L.1991, c.431
35 (C.40A:20-1 et seq.).

36 c. That the urban renewal entity shall make payments for
37 **【municipal】** public services as provided in P.L.1991, c.431
38 (C.40A:20-1 et seq.).

39 d. That the urban renewal entity shall submit annually, within
40 90 days after the close of its fiscal year, its auditor's reports to the
41 mayor and governing body of the municipality, in which the urban
42 renewal entity shall certify to the mayor and the governing body of
43 the municipality the number of school-age children residing in the
44 approved project who are attending a public school.

45 e. That the urban renewal entity shall, upon request, permit
46 inspection of property, equipment, buildings and other facilities of
47 the entity, and also permit examination and audit of its books,

1 contracts, records, documents and papers by authorized
2 representatives of the municipality or the State.

3 f. That in the event of any dispute between the parties matters
4 in controversy shall be resolved by arbitration in the manner
5 provided in the financial agreement.

6 g. That operation under the financial agreement shall be
7 terminable by the urban renewal entity in the manner provided by
8 P.L.1991, c.431 (C.40A:20-1 et seq.).

9 h. That the urban renewal entity shall at all times prior to the
10 expiration or other termination of the financial agreement remain
11 bound by the provisions of P.L.1991, c.431 (C.40A:20-1 et seq.).

12 The financial agreement shall contain detailed representations
13 and covenants by the urban renewal entity as to the manner in
14 which it proposes to use, manage or operate the project. The
15 financial agreement shall further set forth the method for computing
16 gross revenue for the urban renewal entity, the method of
17 determining insurance, operating and maintenance expenses paid by
18 a tenant which are ordinarily paid by a landlord, the plans for
19 financing the project, including the estimated total project cost, the
20 amortization rate on the total project cost, the source of funds, the
21 interest rates to be paid on the construction financing, the source
22 and amount of paid-in capital, the terms of mortgage amortization
23 or payment of principal on any mortgage, a good faith projection of
24 initial sales prices of any condominium units and expenses to be
25 incurred in promoting and consummating such sales, and the rental
26 schedules and lease terms to be used in the project. Any financial
27 agreement may allow the municipality to levy an annual
28 administrative fee, not to exceed two percent of the annual service
29 charge for public services.

30 (cf: P.L.2015, c.95, s.28)

31
32 4. Section 12 of P.L.1991, c.431 (C.40A:20-12) is amended to
33 read as follows:

34 12. The rehabilitation or improvements made in the development
35 or redevelopment of a redevelopment area or area appurtenant
36 thereto or for a redevelopment relocation housing project, pursuant
37 to P.L.1991, c.431 (C.40A:20-1 et seq.), shall be exempt from
38 taxation for a limited period as hereinafter provided. When housing
39 is to be constructed, acquired or rehabilitated by an urban renewal
40 entity, the land upon which that housing is situated shall be exempt
41 from taxation for a limited period as hereinafter provided. The
42 exemption shall be allowed when the clerk of the municipality
43 wherein the property is situated shall certify to the municipal tax
44 assessor that a financial agreement with an urban renewal entity for
45 the development or the redevelopment of the property, or the
46 provision of a redevelopment relocation housing project, or the
47 provision of a low and moderate income housing project has been

1 entered into and is in effect as required by P.L.1991, c.431
2 (C.40A:20-1 et seq.).

3 Delivery by the municipal clerk to the municipal tax assessor of
4 a certified copy of the ordinance of the governing body approving
5 the tax exemption and financial agreement with the urban renewal
6 entity shall constitute the required certification. For each
7 exemption granted pursuant to P.L.2003, c.125 (C.40A:12A-4.1 et
8 al.), upon certification as required hereunder, the tax assessor shall
9 implement the exemption and continue to enforce that exemption
10 without further certification by the clerk until the expiration of the
11 entitlement to exemption by the terms of the financial agreement or
12 until the tax assessor has been duly notified by the clerk that the
13 exemption has been terminated.

14 Within 10 calendar days following the later of the effective date
15 of an ordinance following its final adoption by the governing body
16 approving the tax exemption or the execution of the financial
17 agreement by the urban renewal entity, the municipal clerk shall
18 transmit a certified copy of the ordinance and financial agreement
19 to the chief financial officer of the county and to the county counsel
20 of the county within which the municipality is located, and to the
21 board of education and the superintendent of any school district
22 coextensive with the municipality or of which the municipality is a
23 constituent, including a regional school district, for informational
24 purposes.

25 Whenever an exemption status changes during a tax year, the
26 procedure for the apportionment of the taxes for the year shall be
27 the same as in the case of other changes in tax exemption status
28 during the tax year. Tax exemptions granted pursuant to P.L.2003,
29 c.125 (C.40A:12A-4.1 et al.) represent long term financial
30 agreements between the municipality and the urban renewal entity
31 and as such constitute a single continuing exemption from local
32 property taxation for the duration of the financial agreement. The
33 validity of a financial agreement or any exemption granted pursuant
34 thereto may be challenged only by filing an action in lieu of
35 prerogative writ within 20 days from the publication of a notice of
36 the adoption of an ordinance by the governing body granting the
37 exemption and approving the financial agreement. Such notice
38 shall be published in a newspaper of general circulation in the
39 municipality and in a newspaper of general circulation in the county
40 if different from the municipal newspaper.

41 a. The duration of the exemption for urban renewal entities
42 shall be as follows: for all projects, a term of not more than 30 years
43 from the completion of the entire project, or unit of the project if
44 the project is undertaken in units, or not more than 35 years from
45 the execution of the financial agreement between the municipality
46 and the urban renewal entity.

47 b. During the term of any exemption, in lieu of any taxes to be
48 paid on the buildings and improvements of the project and, to the

1 extent authorized pursuant to this section, on the land, the urban
2 renewal entity shall make payment to the municipality of an annual
3 service charge **【, which】** for public services. The municipality shall
4 remit a portion of that revenue to the county, and to the school
5 district or districts, as provided hereinafter. In addition, the
6 municipality may assess an administrative fee, not to exceed two
7 percent of the annual service charge, for the processing of the
8 application. The annual service charge for **【municipal】** public
9 services supplied to the project to be paid by the urban renewal
10 entity for any period of exemption, shall be determined as follows:

11 (1) An annual amount equal to a percentage determined
12 pursuant to this subsection and section 11 of P.L.1991, c.431
13 (C.40A:20-11), of the annual gross revenue from each unit of the
14 project, if the project is undertaken in units, or from the total
15 project, if the project is not undertaken in units. The percentage of
16 the annual gross revenue shall not be more than 15% in the case of
17 a low and moderate income housing project, nor less than 10% in
18 the case of all other projects.

19 At the option of the municipality, or where because of the nature
20 of the development, ownership, use or occupancy of the project or
21 any unit thereof, if the project is to be undertaken in units, the total
22 annual gross rental or gross shelter rent or annual gross revenue
23 cannot be reasonably ascertained, the governing body shall provide
24 in the financial agreement that the annual service charge shall be a
25 sum equal to a percentage determined pursuant to this subsection
26 and section 11 of P.L.1991, c.431 (C.40A:20-11), of the total
27 project cost or total project unit cost determined pursuant to
28 P.L.1991, c.431 (C.40A:20-1 et seq.) calculated from the first day
29 of the month following the substantial completion of the project or
30 any unit thereof, if the project is undertaken in units. The
31 percentage of the total project cost or total project unit cost shall not
32 be more than 2% in the case of a low and moderate income housing
33 project, and shall not be less than 2% in the case of all other
34 projects.

35 (2) In either case, the financial agreement shall establish a
36 schedule of annual service charges to be paid over the term of the
37 exemption period, which shall be in stages as follows:

38 (a) For the first stage of the exemption period, which shall
39 commence with the date of completion of the unit or of the project,
40 as the case may be, and continue for a time of not less than six years
41 nor more than 15 years, as specified in the financial agreement, the
42 urban renewal entity shall pay the municipality an annual service
43 charge for **【municipal】** public services supplied to the project in an
44 annual amount equal to the amount determined pursuant to
45 paragraph (1) of this subsection and section 11 of P.L.1991, c.431
46 (C.40A:20-11). For the remainder of the period of the exemption, if
47 any, the annual service charge shall be determined as follows:

1 (b) For the second stage of the exemption period, which shall
2 not be less than one year nor more than six years, as specified in the
3 financial agreement, an amount equal to either the amount
4 determined pursuant to paragraph (1) of this subsection and section
5 11 of P.L.1991, c.431 (C.40A:20-11), or 20% of the amount of
6 taxes otherwise due on the value of the land and improvements,
7 whichever shall be greater;

8 (c) For the third stage of the exemption period, which shall not
9 be less than one year nor more than six years, as specified in the
10 financial agreement, an amount equal to either the amount
11 determined pursuant to paragraph (1) of this subsection and section
12 11 of P.L.1991, c.431 (C.40A:20-11), or 40% of the amount of
13 taxes otherwise due on the value of the land and improvements,
14 whichever shall be greater;

15 (d) For the fourth stage of the exemption period, which shall not
16 be less than one year nor more than six years, as specified in the
17 financial agreement, an amount equal to either the amount
18 determined pursuant to paragraph (1) of this subsection and section
19 11 of P.L.1991, c.431 (C.40A:20-11), or 60% of the amount of
20 taxes otherwise due on the value of the land and improvements,
21 whichever shall be greater; and

22 (e) For the final stage of the exemption period, the duration of
23 which shall not be less than one year and shall be specified in the
24 financial agreement, an amount equal to either the amount
25 determined pursuant to paragraph (1) of this subsection and section
26 11 of P.L.1991, c.431 (C.40A:20-11), or 80% of the amount of
27 taxes otherwise due on the value of the land and improvements,
28 whichever shall be greater.

29 If the financial agreement provides for an exemption period of
30 less than 30 years from the completion of the entire project, or less
31 than 35 years from the execution of the financial agreement, the
32 financial agreement shall set forth a schedule of annual service
33 charges for the exemption period which shall be based upon the
34 minimum service charges and staged adjustments set forth in this
35 section.

36 The annual service charge shall be paid to the municipality on a
37 quarterly basis in a manner consistent with the municipality's tax
38 collection schedule.

39 Each municipality which enters into a financial agreement on or
40 after the effective date of P.L.2003, c.125 (C.40A:12A-4.1 et al.)
41 shall remit 5 percent of the annual service charge collected by the
42 municipality to the county in accordance with the provisions of
43 R.S.54:4-74.

44 Each municipality which enters into a financial agreement on or
45 after the effective date of P.L. , c. (C.) (pending before the
46 Legislature as this bill), shall remit a percentage of the annual
47 service charge to the school district or districts, including regional
48 school districts, immediately upon receipt of that service charge.

1 The amount of the annual service charge to be remitted to the
2 school district or districts, including regional school districts,
3 pursuant to this section shall be calculated by multiplying the
4 number of school-age children who are attending public school in
5 the municipality or in a regional school district that serves the
6 municipality and who are residing in the approved project as
7 certified by the urban renewal entity in the annual auditor's report
8 to the mayor and governing body of the municipality, by the school
9 district's budgetary cost per pupil included in the "user-friendly"
10 plain language budget summary pursuant to section 2 of P.L.2007,
11 c.53 (C.18A:22-8a).

12 Against the annual service charge the urban renewal entity shall
13 be entitled to credit for the amount, without interest, of the real
14 estate taxes on land paid by it in the last four preceding quarterly
15 installments.

16 Notwithstanding the provisions of this section or of the financial
17 agreement, the minimum annual service charge shall be the amount
18 of the total taxes levied against all real property in the area covered
19 by the project in the last full tax year in which the area was subject
20 to taxation, and the minimum annual service charge shall be paid in
21 each year in which the annual service charge calculated pursuant to
22 this section or the financial agreement would be less than the
23 minimum annual service charge.

24 c. All exemptions granted pursuant to the provisions of
25 P.L.1991, c.431 (C.40A:20-1 et seq.) shall terminate at the time
26 prescribed in the financial agreement.

27 Upon the termination of the exemption granted pursuant to the
28 provisions of P.L.1991, c.431 (C.40A:20-1 et seq.), the project, all
29 affected parcels, land and all improvements made thereto shall be
30 assessed and subject to taxation as are other taxable properties in
31 the municipality. After the date of termination, all restrictions and
32 limitations upon the urban renewal entity shall terminate and be at
33 an end upon the entity's rendering its final accounting to and with
34 the municipality.

35 (cf: P.L.2015, c.247, s.1)

36

37 5. This act shall take effect immediately.

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39

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STATEMENT

41

42 This bill would provide counties and school districts with notice
43 that a municipality is considering granting long term tax
44 exemptions, and would also require municipalities to share amounts
45 received from urban renewal entities in lieu of property taxes with
46 school districts, including regional school districts.

47 Under the bill, urban renewal entities would be required to
48 provide counties and school districts with copies of applications for

1 long term tax exemptions. The bill would require an urban renewal
2 entity to certify, in its annual audit to the mayor and the governing
3 body of the municipality, the number of school-age children
4 attending public school who are residing in the approved project.
5 Mayors would be required to provide counties and school districts
6 with copies of the recommendations mayors submit to municipal
7 governing bodies with regard to applications from urban renewal
8 entities. Municipal governing bodies would afford counties and
9 school districts a 10-day period to review mayoral
10 recommendations, within which period counties and school districts
11 could submit their own recommendations. When determining
12 whether to approve an application, a municipal governing body
13 would give due consideration to the concerns of counties and school
14 districts.

15 The bill would also require municipalities to provide a portion of
16 the amounts received in lieu of property taxation from urban
17 renewal entities to the school district or districts that serves the
18 municipality, including a regional school district. A municipality
19 that receives a payment in lieu of taxation from an urban renewal
20 entity would be required to distribute a portion of the amount
21 received, immediately upon receipt, to the school district or
22 districts, including regional school districts, based upon an amount
23 derived by multiplying the number of school-age children who are
24 attending public school in the municipality or at a school in a
25 regional school district serving the municipality and who are
26 residing in the approved project as certified by the urban renewal
27 entity in the annual auditor's report to the mayor and governing
28 body of the municipality, by the school district's budgetary cost per
29 pupil.

30 Under current law, a municipality must provide 5% of the
31 payment in lieu of taxes to the county.