

**ASSEMBLY, No. 3332**

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**STATE OF NEW JERSEY**

**219th LEGISLATURE**

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INTRODUCED FEBRUARY 25, 2020

**Sponsored by:**

**Assemblyman JOHN DIMAIO**

**District 23 (Hunterdon, Somerset and Warren)**

**Assemblyman CHRISTOPHER P. DEPHILLIPS**

**District 40 (Bergen, Essex, Morris and Passaic)**

**Assemblywoman NANCY F. MUNOZ**

**District 21 (Morris, Somerset and Union)**

**Co-Sponsored by:**

**Assemblywoman Vainieri Huttie**

**SYNOPSIS**

Requires municipalities to share certain payments in lieu of property taxes with school districts; informs counties, school districts, and DCA of certain information related to property tax exemptions and abatements.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 12/7/2020)**

1 AN ACT concerning certain property tax exemptions and amending  
2 P.L.1991, c.431, P.L.2007, c.62, and P.L.1991, c.441.

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-  
14 1 et 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]**  
41 P.L.1991, c.431 (C.40A:20-1 et seq.), before proceeding with any  
42 projects, shall make written application to the municipality for  
43 approval thereof, and shall provide copies of the application, for  
44 informational purposes, to the board of chosen freeholders and the  
45 chief executive officer of the county within which the municipality  
46 is located, and to the board of education and superintendent of any  
47 school district, including a regional school district, that is  
48 coextensive with the municipality, or of which the municipality is a

1 constituent. The urban renewal entity, at the time an application is  
2 made, shall provide notice of the application submission to the  
3 Director of the Division of Local Government Services in the  
4 Department of Community Affairs, which shall post the notice on  
5 the Internet website of the department. The application shall be in a  
6 form, and shall certify to those facts and data, as shall be required  
7 by the municipality, and shall include but not be limited to:

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

17 b. A description of the proposed project outlining the area  
18 included and a description of each unit thereof if the project is to be  
19 undertaken in units and setting forth architectural and site plans as  
20 required.

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

24 d. The source, method and amount of money to be subscribed  
25 through the investment of private capital, setting forth the amount  
26 of stock or other securities to be issued therefor or the extent of  
27 capital invested and the proprietary or ownership interest obtained  
28 in consideration therefor.

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

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

37 g. Any other information relevant to determining the financial  
38 impact of the project as may be required pursuant to a rule adopted  
39 by the Commissioner of Community Affairs or the Local Finance  
40 Board.

41 The application shall be addressed and submitted to the mayor or  
42 other chief executive officer of the municipality. The mayor or  
43 other chief executive officer shall, within 60 days of his receipt of  
44 the application thereafter, submit the application with his  
45 recommendations to the municipal governing body. **【The】**  
46 Simultaneously therewith, the mayor or other chief executive  
47 officer of the municipality shall submit copies of his  
48 recommendations to the board of chosen freeholders and the chief

1 executive officer of the county within which the municipality is  
2 located and to the board of education and superintendent of any  
3 school district, including a regional school district, that is  
4 coextensive with the municipality, or of which the municipality is a  
5 constituent. Representatives of the county and school district or  
6 districts may submit recommendations to the municipal governing  
7 body within 10 days after the date of submittal of the  
8 recommendations of the mayor or chief executive officer of the  
9 municipality. After affording representatives of the county and  
10 school district, or districts, a 10-day period to review the proposed  
11 project and the recommendations of the mayor or chief executive  
12 officer of the municipality, and after giving due consideration to the  
13 recommendations submitted by all interested parties, the municipal  
14 governing body shall by resolution approve or disapprove the  
15 application, but in the event of disapproval, changes may be  
16 suggested to secure approval. An application may be revised and  
17 resubmitted.

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

19  
20 3. Section 9 of P.L.1991, c.431 (C.40A:20-9) is amended to  
21 read as follows:

22 9. Every approved project shall be evidenced by a financial  
23 agreement between the municipality and the urban renewal entity.  
24 The agreement shall be prepared by the entity and submitted as a  
25 separate part of its application for project approval. The agreement  
26 shall not take effect until approved by ordinance of the  
27 municipality. Any amendments or modifications of the agreement  
28 made thereafter shall be by mutual consent of the municipality and  
29 the urban renewal entity, and shall be subject to approval by  
30 ordinance of the municipal governing body upon recommendation  
31 of the mayor or other chief executive officer of the municipality  
32 prior to taking effect.

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

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

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

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



1 d. That the urban renewal entity shall submit annually, within  
2 90 days after the close of its fiscal year, its auditor's reports to the  
3 mayor and governing body of the municipality, in which the urban  
4 renewal entity shall certify to the mayor and the governing body of  
5 the municipality the number of school-age children residing in the  
6 approved project who are attending a public school. The urban  
7 renewal entity, at the time the auditor's reports are submitted, shall  
8 provide copies of the reports to the Director of the Division of  
9 Local Government Services in the Department of Community  
10 Affairs, which shall post the reports on the Internet website of the  
11 department.

12 e. That the urban renewal entity shall, upon request, permit  
13 inspection of property, equipment, buildings and other facilities of  
14 the entity, and also permit examination and audit of its books,  
15 contracts, records, documents and papers by authorized  
16 representatives of the municipality or the State.

17 f. That in the event of any dispute between the parties matters  
18 in controversy shall be resolved by arbitration in the manner  
19 provided in the financial agreement.

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

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

26 The financial agreement shall contain detailed representations  
27 and covenants by the urban renewal entity as to the manner in  
28 which it proposes to use, manage or operate the project. The  
29 financial agreement shall further set forth the method for computing  
30 gross revenue for the urban renewal entity, the method of  
31 determining insurance, operating and maintenance expenses paid by  
32 a tenant which are ordinarily paid by a landlord, the plans for  
33 financing the project, including the estimated total project cost, the  
34 amortization rate on the total project cost, the source of funds, the  
35 interest rates to be paid on the construction financing, the source  
36 and amount of paid-in capital, the terms of mortgage amortization  
37 or payment of principal on any mortgage, a good faith projection of  
38 initial sales prices of any condominium units and expenses to be  
39 incurred in promoting and consummating such sales, and the rental  
40 schedules and lease terms to be used in the project. Any financial  
41 agreement may allow the municipality to levy an annual  
42 administrative fee, not to exceed two percent of the annual service  
43 charge for public services.

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

45

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

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

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

Within 10 calendar days following the later of the effective date of an ordinance following its final adoption by the governing body approving the tax exemption or the execution of the financial agreement by the urban renewal entity, the municipal clerk shall transmit a certified copy of the ordinance and financial agreement to the Director of the Division of Local Government Services in the Department of Community Affairs, the chief financial officer of the county and to the county counsel of the county within which the municipality is located, and to the board of education and the superintendent of any school district coextensive with the municipality or of which the municipality is a constituent, including a regional school district, for informational purposes. Upon receipt of an ordinance and financial agreement, the Department of Community Affairs shall post the ordinance and agreement on the Internet website of the department.

Whenever an exemption status changes during a tax year, the procedure for the apportionment of the taxes for the year shall be the same as in the case of other changes in tax exemption status during the tax year. Tax exemptions granted pursuant to P.L.2003, c.125 (C.40A:12A-4.1 et al.) represent long term financial agreements between the municipality and the urban renewal entity

1 and as such constitute a single continuing exemption from local  
2 property taxation for the duration of the financial agreement. The  
3 validity of a financial agreement or any exemption granted pursuant  
4 thereto may be challenged only by filing an action in lieu of  
5 prerogative writ within 20 days from the publication of a notice of  
6 the adoption of an ordinance by the governing body granting the  
7 exemption and approving the financial agreement. Such notice  
8 shall be published in a newspaper of general circulation in the  
9 municipality and in a newspaper of general circulation in the county  
10 if different from the municipal newspaper.

11 a. The financial agreement shall specify the duration of the  
12 exemption for urban renewal entities in accordance with the  
13 parameters of either paragraph (1) or paragraph (2) of this  
14 subsection:

15 (1) the financial agreement may specify a duration of not more  
16 than 30 years from the completion of the entire project, or unit of  
17 the project if the project is undertaken in units, or not more than 35  
18 years from the execution of the financial agreement between the  
19 municipality and the urban renewal entity; or

20 (2) for each project undertaken pursuant to a redevelopment  
21 agreement which allows the redeveloper to undertake two or more  
22 projects sequentially, the financial agreement may specify a  
23 duration of not more than 30 years from the completion of a project,  
24 or unit of the project if the project is undertaken in units, or not  
25 more than 50 years from the execution of the first financial  
26 agreement implementing a project under the redevelopment  
27 agreement. As used in this subsection, "redevelopment agreement"  
28 means an agreement entered into pursuant to subsection f. of section  
29 8 of P.L.1992, c.79 (C.40A:12A-8) between a municipality or  
30 redevelopment entity and a redeveloper.

31 A financial agreement may provide for an exemption period of  
32 less than 30 years from the completion of the entire project, less  
33 than 35 years from the execution of the financial agreement, or less  
34 than 50 years from the execution of the first financial agreement  
35 implementing a project under the redevelopment agreement.  
36 Nothing in this subsection shall be construed as requiring a  
37 financial agreement for a project undertaken pursuant to a  
38 redevelopment agreement which allows the redeveloper to  
39 undertake two or more projects sequentially to specify a duration  
40 within the parameters of paragraph (2) of this subsection.

41 b. During the term of any exemption, in lieu of any taxes to be  
42 paid on the buildings and improvements of the project and, to the  
43 extent authorized pursuant to this section, on the land, the urban  
44 renewal entity shall make payment to the municipality of an annual  
45 service charge **【, which】** for public services. The municipality shall  
46 remit a portion of that revenue to the county, and to the school  
47 district or districts, as provided hereinafter. In addition, the  
48 municipality may assess an administrative fee, not to exceed two

1 percent of the annual service charge, for the processing of the  
2 application. The annual service charge for **【municipal】 public**  
3 services supplied to the project to be paid by the urban renewal  
4 entity for any period of exemption, shall be determined as follows:

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

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

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

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

42 (b) For the second stage of the exemption period, which shall  
43 not be less than one year nor more than six years, as specified in the  
44 financial agreement, an amount equal to either the amount  
45 determined pursuant to paragraph (1) of this subsection and section  
46 11 of P.L.1991, c.431 (C.40A:20-11), or **【20%】 20 percent** of the

1 amount of taxes otherwise due on the value of the land and  
2 improvements, whichever shall be greater;

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

10 (d) For the fourth stage of the exemption period, which shall not  
11 be less than one year nor more than six years, as specified in the  
12 financial agreement, an amount equal to either the amount  
13 determined pursuant to paragraph (1) of this subsection and section  
14 11 of P.L.1991, c.431 (C.40A:20-11), or **【60%】** 60 percent of the  
15 amount of taxes otherwise due on the value of the land and  
16 improvements, whichever shall be greater; and

17 (e) For the final stage of the exemption period, the duration of  
18 which shall not be less than one year and shall be specified in the  
19 financial agreement, an amount equal to either the amount  
20 determined pursuant to paragraph (1) of this subsection and section  
21 11 of P.L.1991, c.431 (C.40A:20-11), or **【80%】** 80 percent of the  
22 amount of taxes otherwise due on the value of the land and  
23 improvements, whichever shall be greater.

24 If the financial agreement provides for an exemption period of  
25 less than 30 years from the completion of the entire project, less  
26 than 35 years from the execution of the financial agreement, or less  
27 than 50 years from the execution of the first financial agreement  
28 implementing a project under the redevelopment agreement, the  
29 financial agreement shall set forth a schedule of annual service  
30 charges for the exemption period which shall be based upon the  
31 minimum service charges and staged adjustments set forth in this  
32 section.

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

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

41 Each municipality which enters into a financial agreement on or  
42 after the effective date of P.L. , c. (C. ) (pending before the  
43 Legislature as this bill), shall remit a percentage of the annual  
44 service charge to the school district or districts, including regional  
45 school districts, immediately upon receipt of that service charge.  
46 The amount of the annual service charge to be remitted to the  
47 school district or districts, including regional school districts,  
48 pursuant to this section shall be: for a residential project, the

1 amount calculated by multiplying the number of school-age  
2 children who are attending public school in the municipality or at a  
3 school in a regional school district that serves the municipality and  
4 who are residing in the approved project as certified by the urban  
5 renewal entity in the annual auditor's report to the mayor and  
6 governing body of the municipality, by the base per pupil amount  
7 determined by the Commissioner of Education for the previous  
8 school year pursuant to section 7 of P.L.2007, c.260 (C.18A:7F-49);  
9 and for a nonresidential project or a project with both residential  
10 and nonresidential components, five percent of the annual service  
11 charge collected by the municipality or an in-kind contribution  
12 equal in value to five percent of the annual service charge. When  
13 an amount is remitted to more than one school district, including  
14 regional school districts, the amount shall be divided amongst the  
15 districts in proportion to each district's share of the total school tax  
16 levy in the municipality.

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

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

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

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

40 (cf: P.L.2018, c.97, s.17)

41

42       5. Section 3 of P.L.2007, c.62 (C.18A:7F-38) is amended to  
43 read as follows:

44       3. a. Notwithstanding the provisions of any other law to the  
45 contrary, a school district shall not adopt a budget pursuant to  
46 sections 5 and 6 of P.L.1996, c.138 (C.18A:7F-5 and 18A:7F-6)  
47 with an increase in its adjusted tax levy that exceeds, except as  
48 provided in subsection e. of section 4 of P.L.2007, c.62 (C.18A:7F-

1 39), the tax levy growth limitation calculated as follows: the sum of  
2 the prebudget year adjusted tax levy and the adjustment for  
3 increases in enrollment multiplied by 2.0 percent, and adjustments  
4 for an increase in health care costs, increases in amounts for certain  
5 normal and accrued liability pension contributions set forth in  
6 sections 1 and 2 of P.L.2009, c.19 amending section 24 of  
7 P.L.1954, c.84 (C.43:15A-24) and section 15 of P.L.1944, c.255  
8 (C.43:16A-15) for the year set forth in those sections, less any  
9 payment received in the prebudget year pursuant to section 12 of  
10 P.L.1991, c.431 (C.40A:20-12), and, in the case of an SDA district  
11 as defined pursuant to section 3 of P.L.2000, c.72 (C.18A:7G-3),  
12 during the 2018-2019 through the 2024-2025 school years,  
13 increases to raise a general fund tax levy to an amount that does not  
14 exceed its local share.

15 b. (1) The allowable adjustment for increases in enrollment  
16 authorized pursuant to subsection a. of this section shall equal the  
17 per pupil prebudget year adjusted tax levy multiplied by EP, where  
18 EP equals the sum of:

19 (a) 0.50 for each unit of weighted resident enrollment that  
20 constitutes an increase from the prebudget year over 1%, but not  
21 more than 2.5%;

22 (b) 0.75 for each unit of weighted resident enrollment that  
23 constitutes an increase from the prebudget year over 2.5%, but not  
24 more than 4%; and

25 (c) 1.00 for each unit of weighted resident enrollment that  
26 constitutes an increase from the prebudget year over 4%.

27 (2) A school district may request approval from the  
28 commissioner to calculate EP equal to 1.00 for any increase in  
29 weighted resident enrollment if it can demonstrate that the  
30 calculation pursuant to paragraph (1) of this subsection would result  
31 in an average class size that exceeds 10% above the facilities  
32 efficiency standards established pursuant to P.L.2000, c.72  
33 (C.18A:7G-1 et al.).

34 c. (Deleted by amendment, P.L.2010, c.44)

35 d. (1) The allowable adjustment for increases in health care  
36 costs authorized pursuant to subsection a. of this section shall equal  
37 that portion of the actual increase in total health care costs for the  
38 budget year, less any withdrawals from the current expense  
39 emergency reserve account for increases in total health care costs,  
40 that exceeds 2.0 percent of the total health care costs in the  
41 prebudget year, but that is not in excess of the product of the total  
42 health care costs in the prebudget year multiplied by the average  
43 percentage increase of the State Health Benefits Program, P.L.1961,  
44 c.49 (C.52:14-17.25 et seq.), as annually determined by the  
45 Division of Pensions and Benefits in the Department of the  
46 Treasury.

47 (2) The allowable adjustment for increases in the amount of  
48 normal and accrued liability pension contributions authorized

1 pursuant to subsection a. of this section shall equal that portion of  
2 the actual increase in total normal and accrued liability pension  
3 contributions for the budget year that exceeds 2.0 percent of the  
4 total normal and accrued liability pension contributions in the  
5 prebudget year.

6 (3) In the case of an SDA district, as defined pursuant to section  
7 3 of P.L.2000, c.72 (C.18A:7G-3), in which the prebudget year  
8 adjusted tax levy is less than the school district's prebudget year  
9 local share as calculated pursuant to section 10 of P.L.2007, c.260  
10 (C.18A:7F-52), the allowable adjustment for increases to raise a tax  
11 levy that does not exceed the school district's local share shall equal  
12 the difference between the prebudget year adjusted tax levy and the  
13 prebudget year local share.

14 e. (Deleted by amendment, P.L.2010, c.44)

15 f. The adjusted tax levy shall be increased or decreased  
16 accordingly whenever the responsibility and associated cost of a  
17 school district activity is transferred to another school district or  
18 governmental entity.

19 (cf: P.L.2018, c.67, s.6)

20  
21 6. Section 4 of P.L.1991, c.441 (C.40A:21-4) is amended to  
22 read as follows:

23 4. The governing body of a municipality may determine to  
24 utilize the authority granted under Article VIII, Section I, paragraph  
25 6 of the New Jersey Constitution, and adopt an ordinance setting  
26 forth the eligibility or noneligibility of dwellings, multiple  
27 dwellings, or commercial and industrial structures, or all of these,  
28 for exemptions or abatements, or both, from taxation in areas in  
29 need of rehabilitation. The ordinance may differentiate among  
30 these types of structures as to whether the property shall be eligible  
31 for exemptions or abatements, or both, within the limitations set  
32 forth in P.L.1991, c.441 (C.40A:21-1 et seq.). With respect to a  
33 type of structure, the ordinance shall specify the eligibility of  
34 improvements, conversions, or construction, or all of these, for each  
35 type of structure. The ordinance may differentiate for the purposes  
36 of determining eligibility pursuant to this section among the various  
37 neighborhoods, zones, areas or portions of the designated area in  
38 need of rehabilitation.

39 An ordinance adopted pursuant to this section may be amended  
40 from time to time. An amendment to an ordinance shall not affect  
41 any exemption, abatement, or tax agreement previously granted and  
42 in force prior to the amendment.

43 Application for exemptions and abatements from taxation may  
44 be filed pursuant to an ordinance so adopted to take initial effect in  
45 the tax year in which the ordinance is adopted, and for tax years  
46 thereafter as set forth in P.L.1991, c.441 (C.40A:21-1 et seq.), but  
47 no application for exemptions or abatements shall be filed for  
48 exemptions or abatements to take initial effect in the eleventh tax



1 year or any tax year occurring thereafter, unless the ordinance is  
2 readopted by the governing body pursuant to this section.

3 The municipality shall provide a copy of an ordinance introduced  
4 or adopted pursuant to this section, including one amending or  
5 repealing an ordinance, to the Director of the Division of Local  
6 Government Services in the Department of Community Affairs,  
7 which shall post the ordinance on the Internet website of the  
8 department.

9 (cf: P.L.2007, c.268, s.2)

10  
11 7. This act shall take effect immediately.

12  
13  
14 STATEMENT

15  
16 This bill revises various aspects of the laws governing property  
17 tax exemptions. Specifically, the bill requires municipalities to  
18 share certain payments in lieu of property taxes (PILOTs) with  
19 school districts. The bill also requires notice to be provided to the  
20 county, school districts, and Department of Community Affairs  
21 (DCA) when a municipality considers and approves a property tax  
22 exemption.

23 Under current law, any urban renewal entity that benefits from a  
24 long-term property tax exemption is required to make annual  
25 PILOTs to the municipality in which it is located. Currently, the  
26 municipality is required to remit five percent of the PILOT to the  
27 host county, thereby retaining 95 percent of the payment. Under the  
28 bill, municipalities would also be required to remit certain portions  
29 of these PILOTs to the school districts that serve the municipality,  
30 including regional school districts.

31 For a residential property, the municipality would be required to  
32 provide those school districts with an amount equal to the product  
33 of: (1) the number of school-age children who attend a public  
34 school or regional school district that serves the municipality, and  
35 who reside in the project; and (2) the base per pupil amount  
36 determined by the Commissioner of Education for the previous  
37 school year pursuant to section 7 of P.L.2007, c.260 (C.18A:7F-49).  
38 Alternatively, this amount would equal five percent of the PILOT,  
39 or an in-kind contribution equal in value to that amount, if the long-  
40 term tax exemption concerns nonresidential or mixed-use property.  
41 When an amount is remitted to more than one school district, the  
42 amount would be divided amongst those districts in proportion to  
43 each district's share of the total school tax levy in the municipality.

44 The bill also provides that when an urban renewal entity applies  
45 for a long-term property tax exemption, the entity would be  
46 required to provide copies of the application to the county, school  
47 districts, and the Director of the Division of Local Government

1 Services (DLGS) in the DCA. The DLGS would be required to post  
2 this application on the Internet website of the DCA.

3 Under current law, the mayor of a municipality is required to  
4 submit recommendations to the municipal governing body within  
5 60 days of receiving an application from an urban renewal entity for  
6 a long-term tax exemption. The bill would require these  
7 recommendations to be simultaneously submitted to the county and  
8 the local school districts that serve the municipality. Thereafter,  
9 representatives of the county and school districts may submit  
10 recommendations to the governing body within 10 days of receiving  
11 the mayor's recommendations.

12 The bill would also require a municipality to provide the DLGS  
13 and the school districts with a copy of an ordinance and financial  
14 agreement approving a long-term tax exemption. Currently, a  
15 municipality is required to only provide the county these  
16 documents. The bill also requires the DCA to post the ordinance  
17 and financial agreement on the DCA's website.

18 After an application for a long-term property tax exemption is  
19 approved, current law requires the urban renewal entity to submit an  
20 annual audit to the municipality. Under the bill, this annual audit  
21 would be required to certify the number of school-age children  
22 attending public school who are residing in the approved project.  
23 The bill would also require an urban renewal entity to provide  
24 copies of the audit to the Director of the DLGS for publication on  
25 the DCA's website.

26 The bill also requires a municipality to provide the DLGS with a  
27 copy of an ordinance that effectuates a five-year property tax  
28 abatement, and requires the DLGS to post this ordinance on the  
29 website of the DCA.