

# SENATE, No. 984

## STATE OF NEW JERSEY 219th LEGISLATURE

INTRODUCED JANUARY 30, 2020

**Sponsored by:**  
**Senator TROY SINGLETON**  
**District 7 (Burlington)**

**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**

As introduced.



1 AN ACT concerning long-term tax exemptions and amending  
2 P.L.1991, c.431 and P.L.2007, c.62.

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  
45 guaranteed by a governmental agency, the mortgage insurance

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

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

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

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

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

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

45 e. "Project" means any work or undertaking pursuant to a  
46 redevelopment plan adopted pursuant to the "Local Redevelopment  
47 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, 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, and

1 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 financial agreement shall specify the duration of the  
42 exemption for urban renewal entities **【shall be as follows】** in  
43 accordance with the parameters of either paragraph (1) or paragraph  
44 (2) of this subsection:

45 **【for all projects, a term of】** (1) the financial agreement may  
46 specify a duration of not more than 30 years from the completion of  
47 the entire project, or unit of the project if the project is undertaken  
48 in units, or not more than 35 years from the execution of the

1 financial agreement between the municipality and the urban renewal  
2 entity ; or

3 (2) for each project undertaken pursuant to a redevelopment  
4 agreement which allows the redeveloper to undertake two or more  
5 projects sequentially, the financial agreement may specify a  
6 duration of not more than 30 years from the completion of a project,  
7 or unit of the project if the project is undertaken in units, or not  
8 more than 50 years from the execution of the first financial  
9 agreement implementing a project under the redevelopment  
10 agreement. As used in this subsection, “redevelopment agreement”  
11 means an agreement entered into pursuant to subsection f. of section  
12 8 of P.L.1992, c.79 (C.40A:12A-8) between a municipality or  
13 redevelopment entity and a redeveloper.

14 A financial agreement may provide for an exemption period of  
15 less than 30 years from the completion of the entire project, less  
16 than 35 years from the execution of the financial agreement, or less  
17 than 50 years from the execution of the first financial agreement  
18 implementing a project under the redevelopment agreement.  
19 Nothing in this subsection shall be construed as requiring a  
20 financial agreement for a project undertaken pursuant to a  
21 redevelopment agreement which allows the redeveloper to  
22 undertake two or more projects sequentially to specify a duration  
23 within the parameters of paragraph (2) of this subsection.

24 b. During the term of any exemption, in lieu of any taxes to be  
25 paid on the buildings and improvements of the project and, to the  
26 extent authorized pursuant to this section, on the land, the urban  
27 renewal entity shall make payment to the municipality of an annual  
28 service charge **【, which】** for public services. The municipality shall  
29 remit a portion of that revenue to the county, and to the school  
30 district or districts, as provided hereinafter. In addition, the  
31 municipality may assess an administrative fee, not to exceed two  
32 percent of the annual service charge, for the processing of the  
33 application. The annual service charge for **【municipal】** public  
34 services supplied to the project to be paid by the urban renewal  
35 entity for any period of exemption, shall be determined as follows:

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

44 At the option of the municipality, or where because of the nature  
45 of the development, ownership, use or occupancy of the project or  
46 any unit thereof, if the project is to be undertaken in units, the total  
47 annual gross rental or gross shelter rent or annual gross revenue  
48 cannot be reasonably ascertained, the governing body shall provide

1 in the financial agreement that the annual service charge shall be a  
2 sum equal to a percentage determined pursuant to this subsection  
3 and section 11 of P.L.1991, c.431 (C.40A:20-11), of the total  
4 project cost or total project unit cost determined pursuant to  
5 P.L.1991, c.431 (C.40A:20-1 et seq.) calculated from the first day  
6 of the month following the substantial completion of the project or  
7 any unit thereof, if the project is undertaken in units. The  
8 percentage of the total project cost or total project unit cost shall not  
9 be more than **【2%】** two percent in the case of a low and moderate  
10 income housing project, and shall not be less than **【2%】** two  
11 percent in the case of all other projects.

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

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

25 (b) For the second stage of the exemption period, which shall  
26 not be less than one year nor more than six years, as specified in the  
27 financial agreement, an amount equal to either the amount  
28 determined pursuant to paragraph (1) of this subsection and section  
29 11 of P.L.1991, c.431 (C.40A:20-11), or **【20%】** 20 percent of the  
30 amount of taxes otherwise due on the value of the land and  
31 improvements, whichever shall be greater;

32 (c) For the third stage of the exemption period, which shall not  
33 be less than one year nor more than six years, as specified in the  
34 financial agreement, an amount equal to either the amount  
35 determined pursuant to paragraph (1) of this subsection and section  
36 11 of P.L.1991, c.431 (C.40A:20-11), or **【40%】** 40 percent of the  
37 amount of taxes otherwise due on the value of the land and  
38 improvements, whichever shall be greater;

39 (d) For the fourth stage of the exemption period, which shall not  
40 be less than one year nor more than six years, as specified in the  
41 financial agreement, an amount equal to either the amount  
42 determined pursuant to paragraph (1) of this subsection and section  
43 11 of P.L.1991, c.431 (C.40A:20-11), or **【60%】** 60 percent of the  
44 amount of taxes otherwise due on the value of the land and  
45 improvements, whichever shall be greater; and

46 (e) For the final stage of the exemption period, the duration of  
47 which shall not be less than one year and shall be specified in the  
48 financial agreement, an amount equal to either the amount

1 determined pursuant to paragraph (1) of this subsection and section  
2 11 of P.L.1991, c.431 (C.40A:20-11), or **【80%】** 80 percent of the  
3 amount of taxes otherwise due on the value of the land and  
4 improvements, whichever shall be greater.

5 If the financial agreement provides for an exemption period of  
6 less than 30 years from the completion of the entire project, **【or】**  
7 less than 35 years from the execution of the financial agreement, or  
8 less than 50 years from the execution of the first financial  
9 agreement implementing a project under the redevelopment  
10 agreement, the financial agreement shall set forth a schedule of  
11 annual service charges for the exemption period which shall be  
12 based upon the minimum service charges and staged adjustments set  
13 forth in this section.

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

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

22 Each municipality which enters into a financial agreement on or  
23 after the effective date of P.L. , c. (C. ) (pending before the  
24 Legislature as this bill), shall remit a percentage of the annual  
25 service charge to the school district or districts, including regional  
26 school districts, immediately upon receipt of that service charge.  
27 The amount of the annual service charge to be remitted to the  
28 school district or districts, including regional school districts,  
29 pursuant to this section shall be: for a residential project, the  
30 amount calculated by multiplying the number of school-age  
31 children who are attending public school in the municipality or at a  
32 school in a regional school district that serves the municipality and  
33 who are residing in the approved project as certified by the urban  
34 renewal entity in the annual auditor's report to the mayor and  
35 governing body of the municipality, by the school district's  
36 budgetary base per pupil amount included in the "user-friendly"  
37 plain language budget summary pursuant to section 2 of P.L.2007,  
38 c.53 (C.18A:22-8a); and for a nonresidential project or a project  
39 with both residential and nonresidential components, five percent of  
40 the annual service charge collected by the municipality or an in-  
41 kind contribution equal in value to five percent of the annual  
42 service charge.

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

47 Notwithstanding the provisions of this section or of the financial  
48 agreement, the minimum annual service charge shall be the amount

1 of the total taxes levied against all real property in the area covered  
2 by the project in the last full tax year in which the area was subject  
3 to taxation, and the minimum annual service charge shall be paid in  
4 each year in which the annual service charge calculated pursuant to  
5 this section or the financial agreement would be less than the  
6 minimum annual service charge.

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

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

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

19  
20 5. Section 3 of P.L.2007, c.62 (C.18A:7F-38) is amended to  
21 read as follows:

22 3. a. Notwithstanding the provisions of any other law to the  
23 contrary, a school district shall not adopt a budget pursuant to  
24 sections 5 and 6 of P.L.1996, c.138 (C.18A:7F-5 and 18A:7F-6)  
25 with an increase in its adjusted tax levy that exceeds, except as  
26 provided in subsection e. of section 4 of P.L.2007, c.62 (C.18A:7F-  
27 39), the tax levy growth limitation calculated as follows: the sum of  
28 the prebudget year adjusted tax levy and the adjustment for  
29 increases in enrollment multiplied by 2.0 percent, and adjustments  
30 for an increase in health care costs, increases in amounts for certain  
31 normal and accrued liability pension contributions set forth in  
32 sections 1 and 2 of P.L.2009, c.19 amending section 24 of  
33 P.L.1954, c.84 (C.43:15A-24) and section 15 of P.L.1944, c.255  
34 (C.43:16A-15) for the year set forth in those sections, less any  
35 payment received in the prebudget year pursuant to section 12 of  
36 P.L.1991, c.431 (C.40A:20-12), and, in the case of an SDA district  
37 as defined pursuant to section 3 of P.L.2000, c.72 (C.18A:7G-3),  
38 during the 2018-2019 through the 2024-2025 school years,  
39 increases to raise a general fund tax levy to an amount that does not  
40 exceed its local share

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

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

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

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

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

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

14 d. (1) The allowable adjustment for increases in health care  
15 costs authorized pursuant to subsection a. of this section shall equal  
16 that portion of the actual increase in total health care costs for the  
17 budget year, less any withdrawals from the current expense  
18 emergency reserve account for increases in total health care costs,  
19 that exceeds 2.0 percent of the total health care costs in the  
20 prebudget year, but that is not in excess of the product of the total  
21 health care costs in the prebudget year multiplied by the average  
22 percentage increase of the State Health Benefits Program, P.L.1961,  
23 c.49 (C.52:14-17.25 et seq.), as annually determined by the  
24 Division of Pensions and Benefits in the Department of the  
25 Treasury.

26 (2) The allowable adjustment for increases in the amount of  
27 normal and accrued liability pension contributions authorized  
28 pursuant to subsection a. of this section shall equal that portion of  
29 the actual increase in total normal and accrued liability pension  
30 contributions for the budget year that exceeds 2.0 percent of the  
31 total normal and accrued liability pension contributions in the  
32 prebudget year.

33 (3) In the case of an SDA district, as defined pursuant to section  
34 3 of P.L.2000, c.72 (C.18A:7G-3), in which the prebudget year  
35 adjusted tax levy is less than the school district's prebudget year  
36 local share as calculated pursuant to section 10 of P.L.2007, c.260  
37 (C.18A:7F-52), the allowable adjustment for increases to raise a tax  
38 levy that does not exceed the school district's local share shall equal  
39 the difference between the prebudget year adjusted tax levy and the  
40 prebudget year local share.

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

42 f. The adjusted tax levy shall be increased or decreased  
43 accordingly whenever the responsibility and associated cost of a  
44 school district activity is transferred to another school district or  
45 governmental entity.

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

47  
48 6. This act shall take effect immediately.

## STATEMENT

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

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

The bill would also require municipalities to provide a portion of the amounts received in lieu of property taxation from urban renewal entities to the school district or districts that serves the municipality, including a regional school district. A municipality that receives a payment in lieu of taxation from an urban renewal entity would be required to distribute a portion of the amount received immediately upon receipt. For a residential project, this portion would equal the amount derived by multiplying the number of school-age children, who are attending public school in the municipality or at a school in a regional school district that serves the municipality and who are residing in the project, by the school district's budgetary cost per pupil. For a nonresidential project and for a mixed-use project with residential and nonresidential components, the portion would be five percent of the annual service charge collected by the municipality or an in-kind contribution equal in value to five percent of the annual service charge.

Lastly, the bill requires a school district to reduce its property tax levy by any amount received from a municipality out of a payment in lieu of property taxation made by an urban renewal entity.