SENATE, No. 130

STATE OF NEW JERSEY

218th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2018 SESSION

Sponsored by:

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District 40 (Bergen, Essex, Morris and Passaic)

Co-Sponsored by:

Senator Bateman

SYNOPSIS

Reauthorizes use of regional contribution agreements between municipalities within a 10-mile radius of each other for special needs housing; permits units transferred to be counted toward recipient municipality's fair share obligation.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



AN ACT concerning regional contribution agreements for special needs housing and amending P.L.1985, c.222.

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

- 1. Section 2 of P.L.1985, c.222 (C.52:27D-302) is amended to read as follows:
 - 2. The Legislature finds that:
- a. The New Jersey Supreme Court, through its rulings in South Burlington County NAACP v. Mount Laurel, 67 N.J. 151 (1975) and South Burlington County NAACP v. Mount Laurel, 92 N.J. 158 (1983), has determined that every municipality in a growth area has a constitutional obligation to provide through its land use regulations a realistic opportunity for a fair share of its region's present and prospective needs for housing for low and moderate income families.
- b. In the second Mount Laurel ruling, the Supreme Court stated that the determination of the methods for satisfying this constitutional obligation "is better left to the Legislature," that the court has "always preferred legislative to judicial action in their field," and that the judicial role in upholding the Mount Laurel doctrine "could decrease as a result of legislative and executive action."
- c. The interest of all citizens, including low and moderate income families in need of affordable housing, and the needs of the workforce, would be best served by a comprehensive planning and implementation response to this constitutional obligation.
- d. There are a number of essential ingredients to a comprehensive planning and implementation response, including the establishment of reasonable fair share housing guidelines and standards, the initial determination of fair share by officials at the municipal level and the preparation of a municipal housing element, State review of the local fair share study and housing element, and continuous State funding for low and moderate income housing to replace the federal housing subsidy programs which have been almost completely eliminated.
- e. The State can maximize the number of low and moderate income units provided in New Jersey by allowing its municipalities to adopt appropriate phasing schedules for meeting their fair share, so long as the municipalities permit a timely achievement of an appropriate fair share of the regional need for low and moderate income housing as required by the Mt. Laurel I and II opinions and other relevant court decisions.
- f. The State can also maximize the number of low and

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

- 1 moderate income units by creating new affordable housing and by
- 2 rehabilitating existing, but substandard, housing in the State.
- Because the Legislature has determined, pursuant to P.L.2008, c.46
- 4 (C.52:27D-329.1 et al.), that it is no longer appropriate or in
- 5 harmony with the Mount Laurel doctrine to permit the transfer of
- 6 the fair share obligations among municipalities within a housing
- 7 region, it is necessary and appropriate to create a new program to
- 8 create new affordable housing and to foster the rehabilitation of
- 9 existing, but substandard, housing.

- g. Since the urban areas are vitally important to the State, construction, conversion and rehabilitation of housing in our urban centers should be encouraged. However, the provision of housing in urban areas must be balanced with the need to provide housing throughout the State for the free mobility of citizens.
- h. The Supreme Court of New Jersey in its Mount Laurel decisions demands that municipal land use regulations affirmatively afford a reasonable opportunity for a variety and choice of housing including low and moderate cost housing, to meet the needs of people desiring to live there. While provision for the actual construction of that housing by municipalities is not required, they are encouraged but not mandated to expend their own resources to help provide low and moderate income housing.
- i. Certain amendments to the enabling act of the Council on Affordable Housing are necessary to provide guidance to the council to ensure consistency with the legislative intent, while at the same time clarifying the limitations of the council in its rulemaking. Although the court has remarked in several decisions that the Legislature has granted the council considerable deference in its rulemaking, the Legislature retains its power and obligation to clarify and amend the enabling act from which the council derives its rulemaking power, from time to time, in order to better guide the council.
- j. The Legislature finds that the use of regional contribution agreements, which permits municipalities to transfer a certain portion of their fair share housing obligation outside of the municipal borders, should no longer be utilized as a mechanism for the creation of affordable housing by the council except for regional contribution agreements between municipalities within a 10-mile radius of each other in order to support ongoing efforts to provide special needs housing within the State.
- 41 (cf: P.L.2008, c.46, s.4)

- 43 2. Section 4 of P.L.1985, c.222 (C.52:27D-304) is amended to 44 read as follows:
 - 4. As used in this act:
- 46 a. "Council" means the Council on Affordable Housing 47 established in this act, which shall have primary jurisdiction for the

1 administration of housing obligations in accordance with sound 2 regional planning considerations in this State.

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- b. "Housing region" means a geographic area of not less than two nor more than four contiguous, whole counties which exhibit significant social, economic and income similarities, and which constitute to the greatest extent practicable the primary metropolitan statistical areas as last defined by the United States Census Bureau prior to the effective date of P.L.1985, c.222 (C.52:27D-301 et al.).
- 9 (1) For purposes of entering into a regional contribution
 10 agreement as provided by section 12 of P.L.1985, c.222 (C.52:27D11 312), "housing region" also means a geographic area that includes a
 12 municipality within a 10-mile radius of another municipality that
 13 can transfer or receive a certain portion of their fair share housing
 14 obligation through development of housing for individuals with
 15 special needs.
- 16 (2) For purposes of this subsection, and as defined by 17 N.J.A.C.5:97-1.4, "individuals with special needs" means 18 individuals with mental illness, individuals with physical or 19 developmental disabilities, and individuals in other emerging special needs groups identified by State agencies, and who are at 20 least 18 years of age if not part of a household. Special needs 21 22 groups also include victims of domestic violence; ex-offenders; 23 youth aging out of foster care; individuals and households who are homeless; and individuals with AIDS/HIV. 24
 - c. "Low income housing" means housing affordable according to federal Department of Housing and Urban Development or other recognized standards for home ownership and rental costs and occupied or reserved for occupancy by households with a gross household income equal to 50% or less of the median gross household income for households of the same size within the housing region in which the housing is located.
 - d. "Moderate income housing" means housing affordable according to federal Department of Housing and Urban Development or other recognized standards for home ownership and rental costs and occupied or reserved for occupancy by households with a gross household income equal to more than 50% but less than 80% of the median gross household income for households of the same size within the housing region in which the housing is located.
 - e. "Resolution of participation" means a resolution adopted by a municipality in which the municipality chooses to prepare a fair share plan and housing element in accordance with this act.
- f. "Inclusionary development" means a residential housing development in which a substantial percentage of the housing units are provided for a reasonable income range of low and moderate income households.
- g. "Conversion" means the conversion of existing commercial, industrial, or residential structures for low and moderate income

- 1 housing purposes where a substantial percentage of the housing 2 units are provided for a reasonable income range of low and 3 moderate income households.
- 4 h. "Development" means any development for which 5 permission may be required pursuant to the "Municipal Land Use Law," P.L.1975, c.291 (C.40:55D-1 et seq.). 6
- "Agency" means the New Jersey Housing and Mortgage Finance Agency established by P.L.1983, c.530 (C.55:14K-1 et 9 seq.).
- "Prospective need" means a projection of housing needs 10 į. based on development and growth which is reasonably likely to 11 12 occur in a region or a municipality, as the case may be, as a result 13 of actual determination of public and private entities. 14 determining prospective need, consideration shall be given to 15 approvals of development applications, real property transfers and 16 economic projections prepared by the State Planning Commission 17 established by sections 1 through 12 of P.L.1985, c.398 (C.52:18A-18 196 et seq.).
 - "Disabled person" means a person with a physical disability, infirmity, malformation or disfigurement which is caused by bodily injury, birth defect, aging or illness including epilepsy and other seizure disorders, and which shall include, but not be limited to, any degree of paralysis, amputation, lack of physical coordination, blindness or visual impediment, deafness or hearing impediment, muteness or speech impediment or physical reliance on a service or guide dog, wheelchair, or other remedial appliance or device.
 - "Adaptable" means constructed in compliance with the technical design standards of the barrier free subcode adopted by the Commissioner of Community Affairs pursuant to the "State Uniform Construction Code Act," P.L.1975, c.217 (C.52:27D-119 et seq.) and in accordance with the provisions of section 5 of P.L.2005, c.350 (C.52:27D-123.15).
 - m. "Very low income housing" means housing affordable according to federal Department of Housing and Urban Development or other recognized standards for home ownership and rental costs and occupied or reserved for occupancy by households with a gross household income equal to 30% or less of the median gross household income for households of the same size within the housing region in which the housing is located.

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(cf: P.L.2008, c.46, s.5)

- 3. Section 11 of P.L.1985, c.222 (C.52:27D-311) is amended to read as follows:
- 44 11. a. In adopting its housing element, the municipality may 45 provide for its fair share of low and moderate income housing by 46 means of any technique or combination of techniques which provide 47 a realistic opportunity for the provision of the fair share. The 48 housing element shall contain an analysis demonstrating that it will

provide such a realistic opportunity, and the municipality shall establish that its land use and other relevant ordinances have been revised to incorporate the provisions for low and moderate income housing. In preparing the housing element, the municipality shall consider the following techniques for providing low and moderate income housing within the municipality, as well as such other techniques as may be published by the council or proposed by the municipality:

- (1) Rezoning for densities necessary to assure the economic viability of any inclusionary developments, either through mandatory set-asides or density bonuses, as may be necessary to meet all or part of the municipality's fair share in accordance with the regulations of the council and the provisions of subsection h. of this section;
- (2) Determination of the total residential zoning necessary to assure that the municipality's fair share is achieved;
- (3) Determination of measures that the municipality will take to assure that low and moderate income units remain affordable to low and moderate income households for an appropriate period of not less than six years;
- (4) A plan for infrastructure expansion and rehabilitation if necessary to assure the achievement of the municipality's fair share of low and moderate income housing;
- (5) Donation or use of municipally owned land or land condemned by the municipality for purposes of providing low and moderate income housing;
- (6) Tax abatements for purposes of providing low and moderate income housing;
- (7) Utilization of funds obtained from any State or federal subsidy toward the construction of low and moderate income housing;
- (8) Utilization of municipally generated funds toward the construction of low and moderate income housing; and
- (9) The purchase of privately owned real property used for residential purposes at the value of all liens secured by the property, excluding any tax liens, notwithstanding that the total amount of debt secured by liens exceeds the appraised value of the property, pursuant to regulations promulgated by the Commissioner of Community Affairs pursuant to subsection b. of section 41 of P.L.2000, c.126 (C.52:27D-311.2).
- b. The municipality may provide for a phasing schedule for the achievement of its fair share of low and moderate income housing.
 - c. (Deleted by amendment, P.L.2008, c.46)
- d. Nothing in P.L.1985, c.222 (C.52:27D-301 et al.) shall require a municipality to raise or expend municipal revenues in order to provide low and moderate income housing.
- e. When a municipality's housing element includes the provision of rental housing units in a community residence for the

developmentally disabled, as defined in section 2 of P.L.1977, 1 2 c.448 (C.30:11B-2), which will be affordable to persons of low and 3 moderate income, and for which adequate measures to retain such 4 affordability pursuant to paragraph (3) of subsection a. of this 5 section are included in the housing element, those housing units 6 shall be fully credited as permitted under the rules of the council 7 towards the fulfillment of the municipality's fair share of low and 8 moderate income housing.

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- f. It having been determined by the Legislature that the provision of housing under P.L.1985, c.222 (C.52:27D-301 et al.) is a public purpose, a municipality or municipalities may utilize public monies to make donations, grants or loans of public funds for the rehabilitation of deficient housing units and the provision of new or substantially rehabilitated housing for low and moderate income persons, providing that any private advantage is incidental.
- g. A municipality which has received substantive certification from the council, and which has actually effected the construction of the affordable housing units it is obligated to provide, may amend its affordable housing element or zoning ordinances without the approval of the council.
- h. Whenever affordable housing units are proposed to be provided through an inclusionary development, a municipality shall provide, through its zoning powers, incentives to the developer, which shall include increased densities and reduced costs, in accordance with the regulations of the council and this subsection.
- i. The council, upon the application of a municipality and a developer, may approve reduced affordable housing set-asides or increased densities to ensure the economic feasibility of an inclusionary development.
- 30 A municipality may enter into an agreement with a 31 developer or residential development owner to provide a preference 32 for affordable housing to low to moderate income veterans who 33 served in time of war or other emergency, as defined in section 1 of 34 P.L.1963, c.171 (C.54:4-8.10), of up to 50 percent of the affordable 35 units in that particular project. This preference shall be established 36 in the applicant selection process for available affordable units so 37 that applicants who are veterans who served in time of war or other 38 emergency, as referenced in this subsection, and who apply within 39 90 days of the initial marketing period shall receive preference for 40 the rental of the agreed-upon percentage of affordable units. After 41 the first 90 days of the initial 120-day marketing period, if any of 42 those units subject to the preference remain available, then 43 applicants from the general public shall be considered for 44 Following the initial 120-day marketing period, occupancy. 45 previously qualified applicants and future qualified applicants who 46 are veterans who served in time of war or other emergency, as 47 referenced in this subsection, shall be placed on a special waiting 48 list as well as the general waiting list. The veterans on the special

waiting list shall be given preference for affordable units, as the units become available, whenever the percentage of preference-occupied units falls below the agreed upon percentage. Any agreement to provide affordable housing preferences for veterans pursuant to this subsection shall not affect a municipality's ability to receive credit for the unit from the council, or its successor.

k. A municipality that can send or receive a certain portion of its fair share housing obligation through development of housing for individuals with special needs within a 10-mile radius of another municipality may propose that a portion of its fair share housing obligation be met through a regional contribution agreement with another municipality within a 10-mile radius of the sending or receiving municipality. The municipal housing element of the sending municipality shall demonstrate, however, the manner in which that portion will be provided within the municipality if the regional contribution agreement is not concluded or effectuated. The municipality shall provide a statement of its reasons for the proposal to the council.

(cf: P.L.2013, c.6, s.1)

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4. Section 12 of P.L.1985, c.222 (C.52:27D-312) is amended to read as follows:

12. a. [Except as prohibited under P.L.2008, c.46 (C.52:27D-329.1 et al.), a A municipality within a 10-mile radius of another municipality may propose the transfer of up to 50% of its fair share to [another] that other municipality [within its housing region] for the development of housing for individuals with special needs by means of a contractual agreement into which the two municipalities voluntarily enter. A municipality may also propose a transfer by contracting with the agency or another governmental entity designated by the council [if the council determines that the municipality has exhausted all possibilities within its housing A municipality proposing to transfer to another municipality pursuant to this subsection, whether directly or by means of a contract with the agency or another governmental entity designated by the council, shall provide the council with the housing element and statement required under [subsection c.] subsection k. of section 11 of P.L.1985, c.222 (C.52:27D-311), and shall request the council to determine a match with a municipality filing a statement of intent pursuant to subsection e. of this section. Except as provided in subsection b. of this section, the agreement may be entered into upon obtaining substantive certification under section 14 of P.L.1985, c.222 (C.52:27D-314), or anytime thereafter. The regional contribution agreement entered into shall specify how the housing shall be provided by the second municipality, hereinafter the receiving municipality, and the amount

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of contributions to be made by the first municipality, hereinafter the sending municipality.

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b. A municipality which is a defendant in an exclusionary zoning suit and which has not obtained substantive certification pursuant to P.L.1985, c.222 may request the court to be permitted to fulfill a portion of its fair share by entering into a regional contribution agreement to develop housing for individuals with special needs within another municipality located within a 10-mile radius of itself. If the court believes the request to be reasonable, the court shall request the council to review the proposed agreement and to determine a match with a receiving municipality or municipalities pursuant to this section. The court may establish time limitations for the council's review, and shall retain jurisdiction over the matter during the period of council review. If the court determines that the agreement provides a realistic opportunity for the provision of low and moderate income housing for individuals with special needs within the housing region, it shall provide the sending municipality a credit against its fair share for housing to be provided through the agreement in the manner provided in this section. The agreement shall be entered into prior to the entry of a final judgment in the litigation. In cases in which a final judgment was entered prior to the date P.L.1985, c.222 takes effect and in which an appeal is pending, a municipality may request consideration of a regional contribution agreement; provided that it is entered into within 120 days after P.L.1985, c.222 takes effect. In a case in which a final judgment has been entered, the court shall consider whether or not the agreement constitutes an expeditious means of providing part of the fair share. [Notwithstanding this subsection, no consideration shall be given to any regional contribution agreement of which the council did not complete its review and formally approve a recommendation to the court prior to the effective date of P.L.2008, c.46 (C.52:27D-329.1 et al.).

[Except as prohibited under P.L.2008, c.46 (C.52:27D-329.1 et al.), regional A regional contribution [agreements] agreement between a municipality within a 10-mile radius of another municipality to develop housing for individuals with special needs shall be approved by the council, after review by the county planning board or agency of the county in which the receiving municipality is located. The council shall determine whether or not the agreement provides a realistic opportunity for the provision of low and moderate income housing within convenient access to employment opportunities. The council shall refer the agreement to the county planning board or agency which shall review whether or not the transfer agreement is in accordance with sound, comprehensive regional planning. In its review, the county planning board or agency shall consider the master plan and zoning ordinance of the sending and receiving municipalities, its own

county master plan, and the State development and redevelopment 1 2 plan. In the event that there is no county planning board or agency 3 in the county in which the receiving municipality is located, the 4 council shall also determine whether or not the agreement is in 5 accordance with sound, comprehensive regional planning. After it 6 has been determined that the agreement provides a realistic opportunity for low and moderate income housing within 7 8 convenient access to employment opportunities, and that the 9 agreement is consistent with sound, comprehensive regional 10 planning, the council shall approve the regional contribution 11 agreement by resolution. All determinations of a county planning 12 board or agency shall be in writing and shall be made within such 13 time limits as the council may prescribe, beyond which the council 14 shall make those determinations and no fee shall be paid to the 15 county planning board or agency pursuant to this subsection.

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- d. In approving a regional contribution agreement, the council shall set forth in its resolution a schedule of the contributions to be appropriated annually by the sending municipality. A copy of the adopted resolution shall be filed promptly with the Director of the Division of Local Government Services in the Department of Community Affairs, and the director shall thereafter not approve an annual budget of a sending municipality if it does not include appropriations necessary to meet the terms of the resolution. Amounts appropriated by a sending municipality for a regional contribution agreement pursuant to this section are exempt from the limitations or increases in final appropriations imposed under P.L.1976, c.68 (C.40A:4-45.1 et seq.).
- e. The council shall maintain current lists of municipalities within a 10-mile radius of other municipalities which have stated an intent to enter into regional contribution agreements as receiving municipalities, and shall establish procedures for filing statements of intent with the council. No receiving municipality shall be required to accept a greater number of low and moderate income units through an agreement than it has expressed a willingness to accept in its statement, but the number stated shall not be less than a reasonable minimum number of units, not to exceed 100, as established by the council. The council shall require a project plan from a receiving municipality prior to the entering into of the agreement, and shall submit the project plan to the agency for its review as to the feasibility of the plan prior to the council's approval of the agreement. The agency may recommend and the council may approve as part of the project plan a provision that the time limitations for contractual guarantees or resale controls for low and moderate income units included in the project shall be less than 30 years, if it is determined that modification is necessary to assure the economic viability of the project.
- f. The council shall establish guidelines for the duration and amount of contributions in regional contribution agreements

1 between municipalities located within a 10-mile radius of each 2 other for the development of housing for individuals with special 3 needs. In doing so, the council shall give substantial consideration 4 to the average of: (1) the median amount required to rehabilitate a 5 low and moderate income unit up to code enforcement standards for 6 special needs housing; (2) the average internal subsidization required for a developer to provide a low income housing unit for 7 8 individuals with special needs in an inclusionary development; (3) 9 the average internal subsidization required for a developer to 10 provide a moderate income housing unit for individuals with special 11 needs in an inclusionary development. Contributions may be 12 prorated in municipal appropriations occurring over a period not to 13 exceed ten years and may include an amount agreed upon to 14 compensate or partially compensate the receiving municipality for 15 infrastructure or other costs generated to the receiving municipality 16 Appropriations shall be made and paid by the development. 17 directly to the receiving municipality or municipalities or to the 18 agency or other governmental entity designated by the council, as 19 the case may be. 20

g. The council shall require receiving municipalities to file annual reports with the agency setting forth the progress in implementing a project funded under a regional contribution agreement, and the agency shall provide the council with its evaluation of each report. The council shall take such actions as may be necessary to enforce a regional contribution agreement with respect to the timely implementation of the project by the receiving municipality. A receiving municipality shall be permitted to count special needs housing units accepted as part of a regional contribution agreement toward its fair share housing obligation, provided that no exclusionary zoning techniques have been practiced by the municipality, such as low-density zoning or refusals to grant variances on restrictions of dimensions of lots.

h. Notwithstanding any law, rule, or regulation to the contrary, for purposes of crediting units of housing against a municipality's fair share, the council shall permit a receiving municipality to satisfy one and one-half units of its fair share housing obligations for each unit of housing occupied or reserved for occupancy by an individual with special needs as defined in subsection b. of section 4 of P.L.1985, c.222 (C.52:27D-304).

No consideration shall be given to any regional contribution agreement for which the council did not complete its review and grant approval prior to the effective date of P.L.2008, c.46 (C.52:27D-329.1 et al.). On or after the effective date of P.L.2008, c.46 (C.52:27D-329.1 et al.), no regional contribution agreement shall be entered into by a municipality, or approved by the council or the court.

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(cf: P.L.2008, c.46, s.16) 47

5. This act shall take effect immediately.

STATEMENT

Current law prohibits a municipality's use of a regional contribution agreement (RCA) to meet its fair share housing obligation after the effective date of P.L.2008, c.46, which was July 17, 2008. However, in order to support ongoing efforts to provide affordable housing for individuals with special needs, this bill would amend the "Fair Housing Act," P.L.1985, c.222 (C.52:27D-301 et al.), to re-authorize the use of RCAs between municipalities within a 10-mile radius of each other to propose the transfer of up to 50% of the fair share housing obligation through the development of affordable housing for individuals with special needs. defined by N.J.A.C.5:97-1.4, "individuals with special needs" means individuals with mental illness, individuals with physical or developmental disabilities, and individuals in other emerging special needs groups identified by State agencies, and who are at least 18 years of age if not part of a household. Special needs groups would also include victims of domestic violence; exoffenders; youth aging out of foster care; individuals and households who are homeless; and individuals with AIDS/HIV.

This bill also provides that a municipality seeking to send units need not attempt to enter into an RCA with another receiving municipality within the same housing region prior to seeking a recipient through the Council on Affordable Housing. In addition, the bill provides that a receiving municipality shall be permitted to count units accepted as part of an RCA toward its fair share housing obligation and receive credit for one and one-half units of its fair share housing obligations for each unit of housing occupied or reserved for occupancy by an individual with special needs as defined in subsection b. of section 4 of P.L.1985, c.222 (C.52:27D-304), provided that no exclusionary zoning techniques have been practiced by the municipality, such as low-density zoning or refusals to grant variances or waive restrictions of dimensions of lots.