

ASSEMBLY, No. 1586

STATE OF NEW JERSEY

219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

Sponsored by:

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SYNOPSIS

Concerns annual service charge paid to municipalities that enter into financial agreements under “Long Term Tax Exemption Law,” P.L.1991, c.431.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



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

3

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

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

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

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

36 Within 10 calendar days following the later of the effective date
37 of an ordinance following its final adoption by the governing body
38 approving the tax exemption or the execution of the financial
39 agreement by the urban renewal entity, the municipal clerk shall
40 transmit a certified copy of the ordinance and financial agreement
41 to the chief financial officer of the county and to the county counsel
42 for informational purposes.

43 Whenever an exemption status changes during a tax year, the
44 procedure for the apportionment of the taxes for the year shall be
45 the same as in the case of other changes in tax exemption status

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 during the tax year. Tax exemptions granted pursuant to P.L.2003,
2 c.125 (C.40A:12A-4.1 et al.) represent long term financial
3 agreements between the municipality and the urban renewal entity
4 and as such constitute a single continuing exemption from local
5 property taxation for the duration of the financial agreement. The
6 validity of a financial agreement or any exemption granted pursuant
7 thereto may be challenged only by filing an action in lieu of
8 prerogative writ within 20 days from the publication of a notice of
9 the adoption of an ordinance by the governing body granting the
10 exemption and approving the financial agreement. Such notice
11 shall be published in a newspaper of general circulation in the
12 municipality and in a newspaper of general circulation in the county
13 if different from the municipal newspaper.

14 a. The duration of the exemption for urban renewal entities
15 shall be as follows: for all projects, a term of not more than 30 years
16 from the completion of the entire project, or unit of the project if
17 the project is undertaken in units, or not more than 35 years from
18 the execution of the financial agreement between the municipality
19 and the urban renewal entity.

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

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

39 At the option of the municipality, or where because of the nature
40 of the development, ownership, use or occupancy of the project or
41 any unit thereof, if the project is to be undertaken in units, the total
42 annual gross rental or gross shelter rent or annual gross revenue
43 cannot be reasonably ascertained, the governing body shall provide
44 in the financial agreement that the annual service charge shall be a
45 sum equal to a percentage determined pursuant to this subsection
46 and section 11 of P.L.1991, c.431 (C.40A:20-11), of the total
47 project cost or total project unit cost determined pursuant to
48 P.L.1991, c.431 (C.40A:20-1 et seq.) calculated from the first day

1 of the month following the substantial completion of the project or
2 any unit thereof, if the project is undertaken in units. The
3 percentage of the total project cost or total project unit cost shall not
4 be more than 2% in the case of a low and moderate income housing
5 project, and shall not be less than 2% in the case of all other
6 projects.

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

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

20 (b) For the second stage of the exemption period, which shall
21 not be less than one year nor more than six years, as specified in the
22 financial agreement, an amount equal to either the amount
23 determined pursuant to paragraph (1) of this subsection and section
24 11 of P.L.1991, c.431 (C.40A:20-11), or 20% of the amount of
25 taxes otherwise due on the value of the land and improvements,
26 whichever shall be greater;

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

34 (d) For the fourth stage of the exemption period, which shall not
35 be less than one year nor more than six years, as specified in the
36 financial agreement, an amount equal to either the amount
37 determined pursuant to paragraph (1) of this subsection and section
38 11 of P.L.1991, c.431 (C.40A:20-11), or 60% of the amount of
39 taxes otherwise due on the value of the land and improvements,
40 whichever shall be greater; and

41 (e) For the final stage of the exemption period, the duration of
42 which shall not be less than one year and shall be specified in the
43 financial agreement, an amount equal to either the amount
44 determined pursuant to paragraph (1) of this subsection and section
45 11 of P.L.1991, c.431 (C.40A:20-11), or 80% of the amount of
46 taxes otherwise due on the value of the land and improvements,
47 whichever shall be greater.

1 If the financial agreement provides for an exemption period of
2 less than 30 years from the completion of the entire project, or less
3 than 35 years from the execution of the financial agreement, the
4 financial agreement shall set forth a schedule of annual service
5 charges for the exemption period which shall be based upon the
6 minimum service charges and staged adjustments set forth in this
7 section.

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

11 Each municipality which enters into a financial agreement on or
12 after the effective date of P.L.2003, c.125 (C.40A:12A-4.1 et al.)
13 shall remit 5 percent of the annual service charge collected by the
14 municipality to the county in accordance with the provisions of
15 R.S.54:4-74. If the board of education of a public school district to
16 which the municipality is required to remit a payment pursuant to
17 R.S.54:4-75 is contributing less than its full local share of property
18 taxes for school funding pursuant to section 10 of P.L.2007, c.260
19 (C.18A:7F-52), then the municipality shall remit to the board of
20 education a portion of the annual service charge, in direct
21 proportion to the distribution of the amount raised by taxation in the
22 municipality on behalf of the public school district, as displayed on
23 the prior year's property tax bill pursuant to paragraph (1) of
24 subsection b. of R.S.54:4-65.

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

29 Notwithstanding the provisions of this section or of the financial
30 agreement, the minimum annual service charge shall be the amount
31 of the total taxes levied against all real property in the area covered
32 by the project in the last full tax year in which the area was subject
33 to taxation, and the minimum annual service charge shall be paid in
34 each year in which the annual service charge calculated pursuant to
35 this section or the financial agreement would be less than the
36 minimum annual service charge.

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

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

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

1 2. This act shall take effect immediately.

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STATEMENT

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6 This bill would require certain municipalities that enter into a
7 financial agreement with a developer under the “Long Term Tax
8 Exemption Law,” P.L.1991, c.431 (C.40A:20-1 et seq.), and collect
9 from the developer an annual service charge, to remit to local
10 boards of education a portion of that annual service charge under
11 certain circumstances.

12 The bill requires that if the board of education of a public school
13 district to which the municipality is required to remit a payment
14 pursuant to R.S.54:4-75 is contributing less than its full local share
15 of property taxes for school funding pursuant to section 10 of
16 P.L.2007, c.260 (C.18A:7F-52), then the municipality would remit
17 to the board of education a portion of the annual service charge, in
18 direct proportion to the distribution of the amount raised by taxation
19 in the municipality on behalf of the public school district, as
20 displayed on the prior year’s property tax bill.