

ASSEMBLY, No. 5601

STATE OF NEW JERSEY

222nd LEGISLATURE

INTRODUCED OCTOBER 5, 2026

Sponsored by:

Assemblyman ROY FREIMAN

District 16 (Hunterdon, Mercer, Middlesex and Somerset)

SYNOPSIS

Requires municipal tax collectors who obtain payments in lieu of taxes under "Long Term Tax Exemption Law" to share portion of that revenue with school district or districts.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT concerning the sharing of certain payments in lieu of taxes
 2 under the "Long Term Tax Exemption Law" with school
 3 districts, amending various sections of statutory law, and
 4 supplementing P.L.1991, c.431 (C.40A:20-1 et seq.).

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

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

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

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

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

43 "Allowable profit rate" means the greater of 12 **【%】** percent or
 44 the percentage per annum arrived at by adding 1 ¼ **【%】** percent to
 45 the annual interest percentage rate payable on the entity's initial

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 permanent mortgage financing. If the initial permanent mortgage is
2 insured or guaranteed by a governmental agency, the mortgage
3 insurance premium or similar charge, if payable on a per annum
4 basis, shall be considered as interest for this purpose. If there is no
5 permanent mortgage financing the allowable profit rate shall be the
6 greater of 12 **[%]** percent or the percentage per annum arrived at by
7 adding 1 ¼ **[%]** percent per annum to the interest rate per annum
8 which the municipality determines to be the prevailing rate on
9 mortgage financing on comparable improvements in the county.

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

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

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

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

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

1 e. "Project" means any work or undertaking pursuant to a
2 redevelopment plan adopted pursuant to the "Local Redevelopment
3 and Housing Law," P.L.1992, c.79 (C.40A:12A-1 et al.), which has
4 as its purpose the redevelopment of all or any part of a
5 redevelopment area including any industrial, commercial,
6 residential or other use, and may include any buildings, land,
7 including demolition, clearance or removal of buildings from land,
8 equipment, facilities, or other real or personal properties which are
9 necessary, convenient, or desirable appurtenances, such as, but not
10 limited to, streets, sewers, utilities, parks, site preparation,
11 landscaping, and administrative, community, health, recreational,
12 educational and welfare facilities, and zero-emission vehicle fueling
13 and charging infrastructure.

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

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

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

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1 assessments during the construction period; (9) a developer's
2 overhead based on a percentage of actual construction costs, to be
3 computed at not more than the following schedule:

4
5 \$500,000 or less - 10%

6
7 \$500,000 through \$1,000,000 - \$50,000 plus 8% on
8 excess above \$500,000

9
10 \$1,000,001 through \$2,000,000 - \$90,000 plus 7% on
11 excess above \$1,000,000

12
13 \$2,000,001 through \$3,500,000 - \$160,000 plus 5.6667%
14 on excess above \$2,000,000

15
16 \$3,500,001 through \$5,500,000 - \$245,000 plus 4.25% on
17 excess above \$3,500,000

18
19 \$5,500,001 through \$10,000,000 - \$330,000 plus 3.7778%
20 on excess above \$5,500,000

21
22 over \$10,000,000 - 5%

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

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

- 1 i. "Housing project" means any work or undertaking to provide
2 decent, safe, and sanitary dwellings for families in need of housing;
3 the undertaking may include any buildings, land (including
4 demolition, clearance or removal of buildings from land),
5 equipment, facilities, or other real or personal properties or interests
6 therein which are necessary, convenient or desirable appurtenances
7 of the undertaking, such as, but not limited to, streets, sewers,
8 water, utilities, parks; site preparation; landscaping, and
9 administrative, community, health, recreational, educational,
10 welfare, commercial, or other facilities, or to provide any part or
11 combination of the foregoing.
- 12 j. "Redevelopment relocation housing project" means a
13 housing project which is necessary, useful or convenient for the
14 relocation of residents displaced by redevelopment of all or any part
15 of one or more redevelopment areas.
- 16 k. "Low and moderate income housing project" means a
17 housing project which is occupied, or is to be occupied, exclusively
18 by households whose incomes do not exceed income limitations
19 established pursuant to any State or federal housing program.
- 20 l. "Qualified subsidized housing project" means a low and
21 moderate income housing project owned by a nonprofit corporation
22 organized under the provisions of Title 15A of the New Jersey
23 Statutes for the purpose of developing, constructing and operating
24 rental housing for senior citizens under section 202 of Pub.L. 86-
25 372 (12 U.S.C. s.1701q) or rental housing for persons with
26 disabilities under section 811 of Pub.L. 101-625 (42 U.S.C. s.8013),
27 or under any other federal program that the Commissioner of
28 Community Affairs by rule may determine to be of a similar nature
29 and purpose.
- 30 m. "Debt service" means the amount required to make annual
31 payments of principal and interest or the equivalent thereof on any
32 construction mortgage, permanent mortgage or other financing
33 including returns on institutional equity financing and market rate
34 related party debt for a project for a period equal to the term of the
35 tax exemption granted by a financial agreement.
- 36 n. "Zero-emission vehicle" means a vehicle certified as a zero
37 emission vehicle pursuant to the California Air Resources Board
38 zero emission vehicle standards for the applicable model year,
39 including but not limited to, battery electric-powered vehicles and
40 hydrogen fuel cell vehicles.
- 41 o. "Zero-emission vehicle fueling and charging infrastructure"
42 means infrastructure to charge or fuel zero-emission vehicles,
43 including but not limited to, public electric vehicle charging
44 stations and public hydrogen fueling stations.
- 45 p. "Chief executive officer of the county" means the county
46 executive, county manager, county supervisor, or president of the

1 board of county commissioners, as appropriate to the form of
2 government of a county.

3 (cf: P.L.2021, c.168, s.4)

4
5 2. Section 8 of P.L.1991, c.431 (C.40A:20-8) is amended to
6 read as follows:

7 8. Every urban renewal entity qualifying under **[this act]**
8 P.L.1991, c.431 (C.40A:20-1 et seq.), before proceeding with any
9 projects, shall make written application to the municipality for
10 approval thereof, and shall provide copies of the application, for
11 informational purposes, to the board of county commissioners and
12 the chief executive officer of the county within which the
13 municipality is located, and to the board of education and
14 superintendent of any school district, including a regional school
15 district, that is coextensive with the municipality, or of which the
16 municipality is a constituent. The urban renewal entity, at the time
17 an application is made, shall provide notice of the application
18 submission to the Director of the Division of Local Government
19 Services in the Department of Community Affairs, which shall post
20 the notice on the Internet website of the department. The
21 application shall be in a form, and shall certify to those facts and
22 data, as shall be required by the municipality, and shall include but
23 not be limited to:

24 a. A general statement of the nature of the proposed project,
25 that the undertaking conforms to all applicable municipal
26 ordinances, and that the project accords with the redevelopment
27 plan and master plan of the municipality, or, in the case of a
28 redevelopment relocation housing project, provides for the
29 relocation of residents displaced or to be displaced from a
30 redevelopment area, or, in the case of a low and moderate income
31 housing project, the housing units are restricted to occupation by
32 low and moderate income households.

33 b. A description of the proposed project outlining the area
34 included and a description of each unit thereof if the project is to be
35 undertaken in units and setting forth architectural and site plans as
36 required.

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

40 d. The source, method and amount of money to be subscribed
41 through the investment of private capital, setting forth the amount
42 of stock or other securities to be issued therefor or the extent of
43 capital invested and the proprietary or ownership interest obtained
44 in consideration therefor.

45 e. A fiscal plan for the project outlining a schedule of annual
46 gross revenue, the estimated expenditures for operation and
47 maintenance, payments for interest, amortization of debt and

1 reserves, and payments **【to the municipality】** in lieu of taxes to be
2 made pursuant to a financial agreement to be entered into with the
3 municipality.

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

6 g. Any other information relevant to determining the financial
7 impact of the project as may be required pursuant to a rule adopted
8 by the Commissioner of Community Affairs or the Local Finance
9 Board.

10 The application shall be addressed and submitted to the mayor or
11 other chief executive officer of the municipality. Within five
12 business days of receipt of an application, the mayor or other chief
13 executive officer of the municipality and urban renewal entity shall
14 notify the board of education and superintendent of any school
15 district, including a regional school district, that is coextensive with
16 the municipality, or of which the municipality is a constituent, of
17 the application and the urban renewal entity. The superintendent or
18 chief executive of the board of education of any school district,
19 including a regional school district, that is coextensive with the
20 municipality, or of which the municipality is a constituent, shall
21 lead negotiations on behalf of the board of education concerning the
22 agreement with the municipality and urban renewal entity.

23 The mayor or other chief executive officer of the municipality
24 shall, within 60 days of **【his】** receipt of the application thereafter,
25 submit the application with **【his】** any recommendations to the
26 municipal governing body. **【The】** Simultaneously, the mayor or
27 other chief executive officer of the municipality shall submit copies
28 of any recommendations to the board of county commissioners and
29 the chief executive officer of the county within which the
30 municipality is located and to the board of education and
31 superintendent of any school district, including a regional school
32 district, that is coextensive with the municipality, or of which the
33 municipality is a constituent. Representatives of the county and
34 school district or districts may submit recommendations to the
35 municipal governing body within 10 days after the date of submittal
36 of the recommendations of the mayor or chief executive officer of
37 the municipality. After affording representatives of the county and
38 school district, or districts, a 10-day period to review the proposed
39 project and the recommendations of the mayor or chief executive
40 officer of the municipality, and after giving due consideration to the
41 recommendations submitted by all interested parties, the municipal
42 governing body shall by resolution approve or disapprove the
43 application, but in the event of disapproval, changes may be
44 suggested to secure approval. An application may be revised and
45 resubmitted.

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

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

3 9. Every approved project shall be evidenced by a financial
4 agreement between the municipality and the urban renewal entity.
5 The agreement shall be prepared by the entity and submitted as a
6 separate part of its application for project approval. The agreement
7 shall not take effect until approved by ordinance of the
8 municipality. The municipality shall notify the chief financial
9 officer of the county and the clerk to the board of county
10 commissioners of the county within which the municipality is
11 located of the date, time, and place of the public hearing required to
12 be held prior to the passage of the ordinance. Any amendments or
13 modifications of the agreement made thereafter shall be by mutual
14 consent of the municipality and the urban renewal entity and shall
15 be subject to approval by ordinance of the municipal governing
16 body upon recommendation of the mayor or other chief executive
17 officer of the municipality prior to taking effect.

18 The financial agreement shall be in the form of a contract
19 requiring full performance within 30 years from the date of
20 completion of the project and shall include the following:

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

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

30 c. That the urban renewal entity shall make payments for
31 municipal services as provided in P.L.1991, c.431 (C.40A:20-1 et
32 seq.).

33 d. That the urban renewal entity shall submit annually, within
34 90 days after the close of its fiscal year, its auditor's reports to the
35 mayor and governing body of the municipality, in which the urban
36 renewal entity shall certify to the mayor and the governing body of
37 the municipality the number of school-age children residing in the
38 approved project who are attending a public school. The urban
39 renewal entity, at the time the auditor's reports are submitted, shall
40 provide copies of the reports to the Director of the Division of
41 Local Government Services in the Department of Community
42 Affairs, which shall post the reports on the department's Internet
43 website.

44 e. That the urban renewal entity shall, upon request, permit
45 inspection of property, equipment, buildings, and other facilities of
46 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.2025, c.91, s.1)

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 Director of the Division of Local Government Services in the
20 Department of Community Affairs, the chief financial officer of the
21 county, and to the county counsel of the county within which the
22 municipality is located, and to the board of education and the
23 superintendent of any school district coextensive with the
24 municipality or of which the municipality is a constituent, including
25 a regional school district, for informational purposes. Upon receipt
26 of an ordinance and financial agreement, the Department of
27 Community Affairs shall post the ordinance and agreement on the
28 department's Internet website.

29 Whenever an exemption status changes during a tax year, the
30 procedure for the apportionment of the taxes for the year shall be
31 the same as in the case of other changes in tax exemption status
32 during the tax year. Tax exemptions granted pursuant to P.L.2003,
33 c.125 (C.40A:12A-4.1 et al.) represent long term financial
34 agreements between the municipality and the urban renewal entity
35 and as such constitute a single continuing exemption from local
36 property taxation for the duration of the financial agreement. The
37 validity of a financial agreement or any exemption granted pursuant
38 thereto may be challenged only by filing an action in lieu of
39 prerogative writ within 20 days from the publication of a notice of
40 the adoption of an ordinance by the governing body granting the
41 exemption and approving the financial agreement. **【Such】** The
42 notice shall be published **【in a newspaper of general circulation in**
43 **the municipality and in a newspaper of general circulation in the**
44 **county if different from the municipal newspaper】** online pursuant
45 to the requirements of P.L.2025, c.72 (C.35:3-1 et seq.).

46 a. The financial agreement shall specify the duration of the
47 exemption for urban renewal entities in accordance with the

1 parameters of either paragraph (1) or paragraph (2) of this
2 subsection:

3 (1) the financial agreement may specify a duration of not more
4 than 30 years from the completion of the entire project, or unit of
5 the project if the project is undertaken in units, or not more than 35
6 years from the execution of the financial agreement between the
7 municipality and the urban renewal entity; or

8 (2) for each project undertaken pursuant to a redevelopment
9 agreement which allows the redeveloper to undertake two or more
10 projects sequentially, the financial agreement may specify a
11 duration of not more than 30 years from the completion of a project,
12 or unit of the project if the project is undertaken in units, or not
13 more than 50 years from the execution of the first financial
14 agreement implementing a project under the redevelopment
15 agreement. As used in this subsection, "redevelopment agreement"
16 means an agreement entered into pursuant to subsection f. of section
17 8 of P.L.1992, c.79 (C.40A:12A-8) between a municipality or
18 redevelopment entity and a redeveloper.

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

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

41 (1) An annual amount equal to a percentage determined
42 pursuant to this subsection and section 11 of P.L.1991, c.431
43 (C.40A:20-11), of the annual gross revenue from each unit of the
44 project, if the project is undertaken in units, or from the total
45 project, if the project is not undertaken in units. The percentage of
46 the annual gross revenue shall not be more than 15 percent in the

1 case of a low- and moderate-income housing project, nor less than
2 10 percent in the case of all other projects.

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

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

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

32 (b) For the second stage of the exemption period, which shall
33 not 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 20 percent of the amount
37 of taxes otherwise due on the value of the land and improvements,
38 whichever shall be greater;

39 (c) For the third 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 40 percent of the amount
44 of taxes otherwise due on the value of the land and improvements,
45 whichever shall be greater;

46 (d) For the fourth stage of the exemption period, which shall not
47 be less than one year nor more than six years, as specified in the

1 financial agreement, an amount equal to either the amount
2 determined pursuant to paragraph (1) of this subsection and section
3 11 of P.L.1991, c.431 (C.40A:20-11), or 60 percent of the amount
4 of taxes otherwise due on the value of the land and improvements,
5 whichever shall be greater; and

6 (e) For the final stage of the exemption period, the duration of
7 which shall not be less than one year and shall be specified in the
8 financial agreement, an amount equal to either the amount
9 determined pursuant to paragraph (1) of this subsection and section
10 11 of P.L.1991, c.431 (C.40A:20-11), or 80 percent of the amount
11 of taxes otherwise due on the value of the land and improvements,
12 whichever shall be greater.

13 If the financial agreement provides for an exemption period of
14 less than 30 years from the completion of the entire project, less
15 than 35 years from the execution of the financial agreement, or less
16 than 50 years from the execution of the first financial agreement
17 implementing a project under the redevelopment agreement, the
18 financial agreement shall set forth a schedule of annual service
19 charges for the exemption period which shall be based upon the
20 minimum service charges and staged adjustments set forth in this
21 section.

22 The annual service charge shall be paid to the municipality on a
23 quarterly basis in a manner consistent with the municipality's tax
24 collection schedule. Revenue derived from an annual service
25 charge pursuant to a financial agreement for municipal purposes,
26 county purposes, or school purposes may be used by the
27 municipality, county, or school district for the purpose of reducing
28 the amount that is required to be raised through the local property
29 tax levy by the municipality for municipal purposes, by the county
30 for county purposes, and by the school district for school district
31 purposes, as appropriate.

32 (3) Each municipality **[which]** that enters into a financial
33 agreement on or after the effective date of P.L.2003, c.125
34 (C.40A:12A-4.1 et al.) shall remit five percent of the annual service
35 charge collected by the municipality to the county in accordance
36 with the provisions of R.S.54:4-74, and the school district or
37 districts, including regional school districts, pursuant to paragraph
38 (4) of this subsection. The remittance requirements pertaining to
39 school districts shall not be applicable to a 100 percent low- and
40 moderate- income housing project dedicated to housing 100 percent
41 senior citizen occupants, who are persons 62 years of age or older
42 and who qualify as low- and moderate-income households. If the
43 five percent remittance due to the county and the remittance due to
44 the school district or districts, including regional school districts, is
45 not paid when due, the unpaid balance thereof and interest, at the
46 rate of one percent per month accrued thereon, together with
47 attorneys' fees and court costs, may be recovered by the county and

1 school district or districts, including regional school districts, from
2 the municipality in an action filed in a court of competent
3 jurisdiction. A municipal finance officer certificate may be subject
4 to revocation or suspension pursuant to section 7 of P.L.1988, c.110
5 (C.40A:9-140.12) for willful or intentional failure, neglect, or
6 refusal to comply with this section. If the municipality enters into a
7 contract with a board of education pursuant to section 7 of
8 P.L.2023, c.311 (C.18A:7G-15.1a), the municipality shall also remit
9 to the board of education such amounts as may be required under
10 the contract.

11 (4) (a) Each municipality that enters into a financial agreement
12 on or after the effective date of P.L. , c. (pending before the
13 Legislature as this bill), shall remit a percentage of the annual
14 service charge to the school district or districts, including regional
15 school districts, immediately upon receipt of that service charge,
16 either:

17 (i) within 90 days following the municipality's receipt of an
18 application pursuant to section 8 of P.L.1991, c.431 (C.40A:20-8);
19 or

20 (ii) for a municipality, school district or districts, including
21 regional school districts, and urban renewal entity that seek to
22 modify their agreement pursuant to section 4 of P.L.1991, c.431
23 (C.40A:20-4), not less than 60 days prior to the date that the next
24 installment payment is due for any county tax due pursuant to the
25 provisions of R.S.54:4-74.

26 (b) The payment received by a school district or districts,
27 including regional school districts, pursuant to this section, shall
28 equal the percentage of the amount of property taxes that are
29 distributed to a given school district or districts, including regional
30 school districts.

31 (c) When a municipality that is a constituent of a regional
32 school district enters into a financial agreement that includes
33 properties within that regional school district's jurisdiction, the
34 remittance to the regional school district shall, notwithstanding
35 subparagraph (b) of this paragraph, be:

36 (i) distributed to reflect the equalized valuation that would have
37 been contributed by the property subject to a tax exemption to the
38 regional school district's cost apportionment formula absent the tax
39 exemption. In the event that the cost apportionment method
40 adopted by the regional school district is based solely on the
41 proportional number of pupils in the constituent municipalities or
42 based on a combination of equalized valuations and pupil
43 enrollment as authorized pursuant to N.J.S.18A:13-23, the
44 remittance shall be distributed to reflect the percentage of the
45 amount of property taxes that the constituent municipality otherwise
46 pays to the regional school district; and

1 (ii) calculated to ensure that constituent municipalities of the
2 regional school district that did not approve the financial agreement
3 do not experience an increase in their proportionate share of the
4 regional school district's costs solely as a result of the tax
5 exemption granted by another constituent municipality.

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

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

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

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

29 (cf: P.L.2025, c.91, s.2)

30
31 5. Section 3 of P.L.2007, c.62 (C.18A:7F-38) is amended to
32 read as follows:

33 3. a. Notwithstanding the provisions of any other law to the
34 contrary, a school district shall not adopt a budget pursuant to
35 sections 5 and 6 of P.L.1996, c.138 (C.18A:7F-5 and 18A:7F-6)
36 with an increase in its adjusted tax levy that exceeds, except as
37 provided in subsection e. of section 4 of P.L.2007, c.62 (C.18A:7F-
38 39), the tax levy growth limitation calculated as follows: the sum of
39 the prebudget year adjusted tax levy and the adjustment for
40 increases in enrollment multiplied by 2.0 percent, and adjustments
41 for an increase in health care costs, increases in amounts for certain
42 normal and accrued liability pension contributions set forth in
43 sections 1 and 2 of P.L.2009, c.19 amending section 24 of
44 P.L.1954, c.84 (C.43:15A-24) and section 15 of P.L.1944, c.255
45 (C.43:16A-15) for the year set forth in those sections, less any
46 payment received in the prebudget year pursuant to section 12 of
47 P.L.1991, c.431 (C.40A:20-12), in the case of an SDA district as

1 defined pursuant to section 3 of P.L.2000, c.72 (C.18A:7G-3),
2 during the 2018-2019 through the 2024-2025 school years,
3 increases to raise a general fund tax levy to an amount that does not
4 exceed its local share, and, in the case of a school district first
5 receiving preschool education aid in the 2025-2026, 2026-2027, or
6 2027-2028 school years and participating in the pilot program
7 established by the commissioner pursuant to subsection h. of
8 section 12 of P.L.2007, c.260 (C.18A:7F-54), increases to raise a
9 general fund tax levy for the local share of preschool education
10 costs.

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

15 (a) 0.50 for each unit of weighted resident enrollment that
16 constitutes an increase from the prebudget year over 1 **【%】 percent**,
17 but not more than 2.5 **【%】 percent**;

18 (b) 0.75 for each unit of weighted resident enrollment that
19 constitutes an increase from the prebudget year over 2.5 **【%】**
20 **percent**, but not more than 4 **【%】 percent**; and

21 (c) 1.00 for each unit of weighted resident enrollment that
22 constitutes an increase from the prebudget year over 4 **【%】 percent**.

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

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

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

43 (2) The allowable adjustment for increases in the amount of
44 normal and accrued liability pension contributions authorized
45 pursuant to subsection a. of this section shall equal that portion of
46 the actual increase in total normal and accrued liability pension
47 contributions for the budget year that exceeds 2.0 percent of the

1 total normal and accrued liability pension contributions in the
2 prebudget year.

3 (3) In the case of an SDA district, as defined pursuant to section
4 3 of P.L.2000, c.72 (C.18A:7G-3), in which the prebudget year
5 adjusted tax levy is less than the school district's prebudget year
6 local share as calculated pursuant to section 10 of P.L.2007, c.260
7 (C.18A:7F-52), the allowable adjustment for increases to raise a tax
8 levy that does not exceed the school district's local share shall equal
9 the difference between the prebudget year adjusted tax levy and the
10 prebudget year local share.

11 (4) In the case of a school district first receiving preschool
12 education aid in the 2025-2026, 2026-2027, or 2027-2028 school
13 years and participating in the pilot program established by the
14 commissioner pursuant to subsection h. of section 12 of P.L.2007,
15 c.260 (C.18A:7F-54), the allowable adjustment for increases to
16 raise a general fund tax levy for the local share of preschool
17 education costs shall be equal to the actual increase required to
18 provide preschool education under the pilot program less State aid
19 provided pursuant to subsection h. of section 12 of P.L.2007, c.260
20 (C.18A:7F-54).

21 A school district first receiving preschool education aid in the
22 2025-2026 school year and participating in the pilot program
23 established by the commissioner pursuant to subsection h. of
24 section 12 of P.L.2007, c.260 (C.18A:7F-54) may, prior to the
25 delivery of tax bills pursuant to R.S.54:4-64, recertify to the county
26 board of taxation the sum to be raised in the district during the
27 ensuing school year if the change in the amount to be raised is equal
28 to the district's local share of preschool education costs for that
29 school year.

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

31 f. The adjusted tax levy shall be increased or decreased
32 accordingly whenever the responsibility and associated cost of a
33 school district activity is transferred to another school district or
34 governmental entity.

35 (cf: P.L.2025, c.100, s.3)

36

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

39 4. The governing body of a municipality may determine to
40 utilize the authority granted under Article VIII, Section I, paragraph
41 6 of the New Jersey Constitution, and adopt an ordinance setting
42 forth the eligibility or noneligibility of dwellings, multiple
43 dwellings, or commercial and industrial structures, or all of these,
44 for exemptions or abatements, or both, from taxation in areas in
45 need of rehabilitation. The ordinance may differentiate among
46 these types of structures as to whether the property shall be eligible
47 for exemptions or abatements, or both, within the limitations set

1 forth in P.L.1991, c.441 (C.40A:21-1 et seq.). With respect to a
2 type of structure, the ordinance shall specify the eligibility of
3 improvements, conversions, or construction, or all of these, for each
4 type of structure. The ordinance may differentiate for the purposes
5 of determining eligibility pursuant to this section among the various
6 neighborhoods, zones, areas or portions of the designated area in
7 need of rehabilitation.

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

12 Application for exemptions and abatements from taxation may
13 be filed pursuant to an ordinance so adopted to take initial effect in
14 the tax year in which the ordinance is adopted, and for tax years
15 thereafter as set forth in P.L.1991, c.441 (C.40A:21-1 et seq.), but
16 no application for exemptions or abatements shall be filed for
17 exemptions or abatements to take initial effect in the eleventh tax
18 year or any tax year occurring thereafter, unless the ordinance is
19 readopted by the governing body pursuant to this section.

20 The municipality shall provide a copy of an ordinance introduced
21 or adopted pursuant to this section, including one amending or
22 repealing an ordinance, to the Director of the Division of Local
23 Government Services in the Department of Community Affairs,
24 which shall post the ordinance on the Internet website of the
25 department.

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

27
28 7. (New section) The Commissioner of Education, in consultation
29 with the Director of the Division of Local Government Services, shall
30 promulgate rules and regulations pursuant to the "Administrative
31 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), for the
32 calculation and distribution of payments pursuant to paragraph (4) of
33 subsection b. of section 12 of P.L.1991, c.431 (C.40A:20-12).

34
35 8. This act shall take effect immediately.

36 37 38 STATEMENT

39
40 This bill revises various aspects of the laws governing property
41 tax exemptions. Specifically, the bill requires municipalities to
42 share certain payments in lieu of property taxes (PILOTs) with
43 school districts. The bill also requires notice to be provided to the
44 county, school districts, and Department of Community Affairs
45 (DCA) when a municipality considers and approves a property tax
46 exemption, and when a municipality decides to enter into

1 negotiations for an agreement with a school district and urban
2 renewal entity.

3 Under the bill, any revenue derived from an annual service
4 charge pursuant to the PILOT may be used by the municipality,
5 county, or school district for the purpose of reducing the amount
6 that is required to be raised through the local property tax levy by
7 the municipality for municipal purposes, by the county for county
8 purposes, and by the school district for school district purposes, as
9 appropriate.

10 Under the bill, the payment received by a school district or
11 districts, including regional school districts, is to equal the
12 percentage of the amount of property taxes which are distributed to
13 a given school district or districts, including regional school
14 districts.

15 When a municipality that is a constituent of a regional school
16 district enters into a financial agreement that includes properties
17 within that regional school district's jurisdiction, the remittance to
18 the regional school district is required to be distributed to reflect the
19 equalized valuation that would have been contributed by the
20 property subject to a tax exemption to the regional school district's
21 cost apportionment formula absent the tax exemption. In the event
22 that the cost apportionment method adopted by the regional school
23 district is based solely on the proportional number of pupils in the
24 constituent municipalities or based on a combination of equalized
25 valuations and pupil enrollment as authorized pursuant to
26 N.J.S.18A:13-23, the remittance is to be distributed to reflect the
27 percentage of the amount of property taxes that the constituent
28 municipality otherwise pays to the regional school district.

29 The bill also provides that when an urban renewal entity applies
30 for a long-term property tax exemption, the entity is required to
31 provide copies of the application to the county, school districts, and
32 the Director of the Division of Local Government Services (DLGS)
33 in the DCA. The DLGS is required to post this application on the
34 Internet website of the DCA.