

40:55C-40 et seq

February 1, 1968

LEGISLATIVE NOTES ON R.S. 40:55C-40 et seq.
(Urban Renewal Corporation Law)

L. 1961, Chapter 40 - S8
Introduced January 16 by Fox, Lance & Crane.
Bill had statement (copy enclosed).
Amended in Senate Committee (copy enclosed).

Hearing was held on this bill:

974.90 N.J. Legislature. Senate. Committee on
H842 Revision and Amendment of Laws.
1961 Public hearing(s) ... on Senate Bill
no. 8, the "Urban Renewal Corporation
Laws of 1961". 2 vols.

L. 1967, Chapter 114 - S366
Introduced March 6 by Goldmann, Biblin & Fernicola.
Bill had statement (copy enclosed).
Not amended during passage.

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SENATE. No. 8

STATE OF NEW JERSEY

INTRODUCED JANUARY 16, 1961

By Senators FOX, LANCE and CRANE

Referred to Committee on Revision and Amendment of Laws

An Act concerning the clearance, replanning, development, and redevelopment of blighted areas in certain cases; authorizing private urban renewal corporations to undertake, and municipalities to participate in, the clearance, replanning, development, and redevelopment of such areas; granting limited period exemptions from taxation in respect to the improvements made in the development and redevelopment of such areas; limiting the profits of, and dividends payable by, private urban renewal corporations enjoying such tax exemption and regulating said private urban renewal corporations and the conditions of use, ownership, management and control of said improvements.

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

1 1. This act shall be known as the "Urban Renewal Corporation Law of
2 1961."

1 2. It is hereby declared that there are areas in many municipalities, which
2 are so blighted as to retard or arrest the growth and development of said
3 municipalities or are so blighted as to be detrimental to the social and
4 economic progress of the community because of buildings which are deterio-
5 rated, insanitary or unsafe or are blighted by reason of subsoil conditions,
6 or by reason of deleterious land use, or excessive land coverage and it is
7 further declared that in the interest of the health, safety and welfare of the

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8 public, and the economic and social progress of the municipality, land should
9 be restored to a use resulting in the elimination of the blighted condition;
10 that in order to accomplish this purpose investment of private capital and
11 participation by private enterprise should be encouraged; that the clearance,
12 replanning, development and redevelopment of such blighted areas are public
13 purposes and public uses for which public money may be expended and private
14 property acquired and that the successful clearance, replanning, development
15 and redevelopment of blighted areas necessitates the use of special financial
16 arrangements to secure adequate private investment and participation by
17 private enterprise and that the necessity, in the public interest, for the provi-
18 sions herein enacted is hereby declared as a matter of legislative determina-
19 tion.

1 3. The terms hereinafter defined shall have the indicated respective
2 meanings when used or referred to in this act unless a different meaning is
3 clearly apparent from the context.

1 4. "Governing body" means, in the case of a municipality, the common
2 council, or the board of commissioners, or the body managing its affairs,
3 except that, in cities having a board of finance, such board shall be the
4 "governing body" for the purpose of this act.

1 5. "Urban renewal corporation" means a corporation qualified under this
2 act to acquire, construct, operate and maintain a project hereunder, or to
3 acquire, operate and maintain a project constructed by a corporation so
4 qualified under this act, and the term "corporation" when used within act
5 shall be understood to be a contraction of the term "urban renewal corpora-
6 tion" except when the context indicates otherwise.

1 6. "Blighted area" means any section of a municipality which has been
2 determined to be a blighted area by the governing body thereof in accordance
3 with chapter 187 of the laws of 1949 as amended and supplemented.

1 7. "Project" means the plan for and the actual clearance, replanning,
2 development and redevelopment of a specific blighted area including the work
3 to be done in reference thereto, the designation of the particular proposed

4 buildings to be constructed and their uses and purposes, the landscaping of
 5 the premises, the streets and access roads, recreational facilities, if any, the
 6 furnishing of the public utilities, the financial arrangements and the terms
 7 and conditions of the proposed municipal co-operation and approval.

8. "Total project unit cost" or "total project cost" means the aggregate
 9 of the following items as related to any unit of a project if the project is to
 10 be undertaken in units or to the total project if the project is not to be
 11 undertaken in units: (a) cost of the land to the urban renewal cor-
 12 poration; (b) architects', engineers' and attorneys' fees paid or payable by
 13 the corporation in connection with the planning, construction and financing of
 14 the project; (c) surveying and testing charges in connection therewith; (d)
 15 actual construction cost as certified by the architect, including the cost of any
 16 preparation of the site undertaken at the corporation's expense; (e) insur-
 17 ance, interest and finance costs during construction; (f) cost of obtaining
 18 initial permanent financing; (g) commissions and other expenses paid or
 19 payable in connection with initial leasing; (h) real estate taxes and assess-
 20 ments during the construction period; and (i) a developer's overhead based
 21 on a percentage of (d) above, to be computed in accordance with the following
 22 schedule:

| | | |
|----|----------------------------------|------------------------------------|
| 15 | \$500,000 or less | — 10% |
| 16 | \$500,001 through \$1,000,000 | — \$50,000 plus 8% on excess |
| 17 | | above \$500,000 |
| 18 | \$1,000,001 through \$2,000,000 | — \$90,000 plus 7% on excess |
| 19 | | above \$1,000,000 |
| 20 | \$2,000,001 through \$3,500,000 | — \$160,000 plus 5.6667% on excess |
| 21 | | above \$2,000,000 |
| 22 | \$3,500,001 through \$5,500,000 | — \$245,000 plus 4.25% on excess |
| 23 | | above \$3,500,000 |
| 24 | \$5,500,001 through \$10,000,000 | — \$330,000 plus 3.7778% on excess |
| 25 | | above \$5,500,000 |
| 26 | Over \$10 Million | — 5%. |

1 9. "Allowable profit rate" means that percentage per annum arrived at
2 by adding 1½% to the annual interest percentage rate payable on the urban
3 renewal corporation's initial permanent mortgage financing. In the event that
4 the initial permanent mortgage is insured or guaranteed by a governmental
5 agency, any mortgage insurance premium or similar charges, if payable on
6 a per annum basis, shall be considered as interest for the purposes hereof.
7 If there is no permanent mortgage financing the allowable profit rate shall
8 be arrived at by adding 1½% per annum to the interest rate per annum
9 which the municipality determines to be the prevailing rate on mortgage
10 financing on comparable improvements in the locality.

1 10. "Allowable net profit" means the amount arrived at by applying the
2 allowable profit rate to each total project unit cost, if the project is to be
3 undertaken in units or the total project cost if the project is not to be
4 undertaken in units for the period commencing on the date on which the
5 construction of the unit or the project is completed, as the case may be,
6 and terminating at the end of the fiscal year of the urban renewal corpora-
7 tion preceding the date on which a computation is being made.

1 11. "Net profit" means the gross revenues of the urban renewal corpo-
2 ration less all operating and nonoperating expenses of the corporation, all
3 determined in accordance with generally accepted accounting principles pro-
4 vided that (a) there shall be included in expenses (1) all annual service
5 charges paid pursuant to section 26 of this act, (2) all payments to the munici-
6 pality of excess profit pursuant to section 27 of this act, and (3) an annual
7 amount sufficient to amortize the total project cost over the life of the im-
8 provements, as set forth in the financial agreement herein provided for, which
9 in no case shall be less than 25 years, and (b) there shall not be included in
10 expenses either (1) depreciation or obsolescence, (2) interest on debt, (3)
11 taxes on income, or (4) salaries, bonuses and other compensation paid,
12 directly or indirectly, to directors, officers and stockholders of the corporation.

1 12. "Annual gross revenue" means the total annual gross rental and
2 other income of an urban renewal corporation from the project. If in any

leasing, any real estate taxes or assessments on property included in the project, any premiums for fire or other insurance on or concerning property included in the project or any operating or maintenance expenses ordinarily paid by a landlord are to be paid by the tenant, then such payments shall be computed and deemed to be part of the rent and shall be included in the annual gross revenue. The financial agreement hereinafter provided for shall establish the method of computing such additional revenue and may establish a method of arbitration where either the landlord or the tenant dispute the amount of such payments so included in the annual gross revenue.

13. Any urban renewal corporation qualifying under this act may undertake a project for the clearance, replanning, development or redevelopment of a blighted area, and when so authorized by a financial agreement with a municipality pursuant to this act, may acquire, plan, develop, construct, alter, maintain or operate housing, business, industrial, commercial, cultural or recreational projects or any combination of two or more such types of improvement in a single project. The conditions of use, ownership, management and control of the improvements in any such project shall be regulated as herein provided.

14. When any municipality or agency or authority thereof has acquired land constituting or being a part of a blighted area, pursuant to chapter 187 of the laws of 1949, chapter 300 of the laws of 1949, or chapter 306 of the laws of 1949, the governing body of the municipality, or the agency or authority, by resolution, may make such land available for use by an urban renewal corporation, qualified under this act, by private sale, upon such terms and conditions as shall be agreed upon by the said governing body or said agency or authority and said corporation. Any such resolution shall include a determination of the use value of the said land and the price to be paid therefor by the said corporation shall not be less than the amount so determined.

15. Any corporation formed, or which shall be formed, under Title 14, "Corporations, General" of the Revised Statutes may qualify to operate

3 under the provisions of this act, if its certificate of incorporation, originally
4 or by amendment thereof, shall contain the following provisions:

5 (a) The name of the corporation shall include the words "Urban Re-
6 newal."

7 (b) The object for which it is formed shall be to operate under this act
8 and to initiate and conduct projects for the clearance, replanning, development
9 and redevelopment of blighted areas in municipalities and, when so author-
10 ized by financial agreement with a municipality pursuant to this act, to
11 acquire, plan, develop, construct, alter, maintain or operate housing, busi-
12 ness, industrial, commercial, cultural or recreational projects or any combi-
13 nation of any 2 or more such types of improvement in a single project, under
14 such conditions as to use, ownership, management and control as shall be
15 regulated pursuant to this act.

16 (c) A provision that so long as the corporation is obligated under a finan-
17 cial agreement with a municipality made pursuant to this act, it shall engage
18 in no business other than the ownership, operation and management of a
19 single project.

20 (d) A declaration that the corporation has been organized to serve a
21 public purpose, that its operations shall be directed toward providing for
22 and making possible the clearance, replanning, development or redevelopment
23 of blighted areas or the acquisition, management and operation of a project
24 hereunder; and that it shall, as provided herein, be subject to regulation by
25 the municipality in which its project is situated, and to a limitation on profits
26 and dividends for so long as it remains the owner of a project subject to the
27 provisions of this act.

28 (e) A provision that the corporation shall not voluntarily transfer the
29 project undertaken by it under the terms of this act, until it has first re-
30 moved both itself and the project from all restrictions hereunder in the man-
31 ner hereinafter set forth; but with a proviso that the foregoing restriction
32 shall not be applied to prevent the transfer of a project to another urban
33 renewal corporation which, with the consent of the municipality in which the

14 project is located, shall assume all the contractual obligations of the trans-
15 feror corporation under its financial agreement with the said municipality.

16. Each urban renewal corporation, qualifying under this act, shall have
17 and may exercise such of the powers conferred by Title 14 of the Revised
18 Statutes as shall be necessary for the operation of the business of such
19 corporation and as shall be consistent with the provisions of this act and
20 shall and may exercise, also, the powers conferred by this act but, so long
21 as it shall be operated under this act, it shall be subject to the restrictions in
22 this act contained. If such corporation shall have freed itself and its project
23 from the restrictions of this act and its financial agreement with the munici-
24 pality, in the manner provided in this act, it shall no longer exercise any of
25 the powers, or be subject to any of the restrictions, contained in this act.

26. 17. When an urban renewal corporation has, with the consent of the
27 municipality in which its project is located, transferred its project to another
28 such corporation which has assumed the contractual obligations of the trans-
29 feror corporation with the municipality, the transferor corporation shall be
30 discharged from any further obligation under the said financial agreement
31 and shall be qualified to undertake another project with the same or a
32 different municipality.

33. 18. An urban renewal corporation in carrying out projects may:

34. (a) Accept loans or grants from the Federal Government, the State or
35 a political subdivision thereof or other public agency in aid of a develop-
36 ment or redevelopment project owned or to be acquired or undertaken by the
37 corporation.

38. (b) Obtain, or aid in obtaining, from the Federal Government any insur-
39 ance or guarantee, or commitment therefor, as to, or for the payment or
40 repayment of interest or principal, or both, or any part thereof, of any loan
41 or other extension of credit, or of any instrument evidencing or securing the
42 same, obtained or to be obtained or entered into by it, and to enter into any
43 agreement or contract, or execute any instrument whatsoever with respect to
44 any such insurance or guarantee.

1 19. Every urban renewal corporation qualifying under this act, before
2 proceeding with any project herein authorized, shall make written application
3 to the municipality for approval thereof. Said application shall be in such
4 form and shall certify to such facts and data as shall be required by the munic-
5 pality, and may include but shall not be limited to:

6 (a) A general statement of the nature of the proposed project, that the
7 undertaking conforms to all applicable municipal ordinances, that its comple-
8 tion will meet an existing need, and that the project accords with the master
9 plan or official map, if any, of the municipality.

10 (b) A description of the proposed project outlining the area included and
11 a description of each unit thereof if the project is to be undertaken in units
12 and setting out such architectural and site plans as may be required.

13 (c) A statement of the estimated cost of the proposed project in such
14 detail as may be required, including the estimated cost of each unit if it is to
15 be so undertaken.

16 (d) The source, method and amount of money to be subscribed through
17 the investment of private capital, setting forth the amount of stock or other
18 securities to be issued therefor.

19 (e) A fiscal plan for the project outlining a schedule of rents, the
20 estimated expenditures for operation and maintenance, payments for interest,
21 amortization of debt and reserves, and payments to the municipality to be
22 made pursuant to a financial agreement to be entered into with said munici-
23 pality.

24 Such application shall be addressed and submitted, to the mayor of the
25 municipality, who shall, within 60 days after receipt thereof, submit it with his
26 recommendations to the governing body. The governing body shall by resolu-
27 tion approve or disapprove the application, but in the event of disapproval,
28 the reasons therefor shall be stated and changes may be suggested to secure
29 its approval. An application may be revised and resubmitted.

1 20. Every approved project shall be evidenced by a financial agreement
2 between the municipality and the corporation. Such agreement shall be pre-

pared by the corporation and submitted as a separate part of its application for project approval.

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

(a) That the profits of and dividends payable by the corporation shall be mailed as hereinafter provided;

(b) That all improvements in the project to be constructed or acquired by the corporation shall be exempt from taxation as hereinafter provided;

(c) That the corporation shall make payments for municipal services as hereinafter provided;

(d) That the corporation shall submit annually, within 90 days after the close of its fiscal year, its auditor's reports to the mayor and governing body of the municipality;

(e) That the corporation shall, upon request, permit inspection of property, equipment, buildings and other facilities of the corporation, and also permit examination and audit of its books, contracts, records, documents and papers by authorized representatives of the municipality;

(f) That in the event of any dispute between the parties the matters in controversy shall be resolved by arbitration in the manner provided therein;

(g) That operation under the financial agreement shall be terminable by the corporation in the manner provided by this act;

(h) That the corporation shall at all times prior to the expiration or other termination of the financial agreement remain bound by the provisions of this act.

21. The financial agreement may provide that the municipality will consent to a sale of the project by the urban renewal corporation to another such corporation owning no other project at the time of the transfer and that, upon assumption by the transferee corporation of the transferor's obligations under the financial agreement, the tax exemption of the improvement as herein provided shall continue and inure to the transferee corporation.

1 22. The financial agreement may also provide that the corporation fur-
2 nish bond or other security for the completion of the project and for the dis-
3 position of the project property including the buildings in the event of a
4 default in construction or abandonment of the work.

1 23. The financial agreement shall contain detailed representations and
2 covenants by the corporation as to the manner in which it proposes to man-
3 age or operate the project. The financial agreement shall further set forth
4 the plans for financing the project, including the estimated total project cost,
5 the amortization rate on the total project cost, the source of funds, the in-
6 terest rates to be paid on the construction financing, the source and amount
7 of paid-in capital, the terms of mortgage amortization or payment of prin-
8 cipal on any mortgage, and the rental schedules and lease terms to be used
9 in the project.

1 24. The financial agreement may further provide that the municipality
2 for its part will undertake and carry out any work, which a municipality
3 may legally undertake, in order to assist in the completion of the project.

1 25. Modifications of the financial agreement may from time to time be
2 made by agreement between the governing body of the municipality and the
3 corporation.

1 26. The improvements made in the development or redevelopment of a
2 blighted area, pursuant to this act, shall be exempt from taxation for a period
3 of not more than 25 years from the date of the execution of a financial agree-
4 ment for the development or redevelopment of the property upon which the
5 improvements are to be made pursuant to a financial agreement entered into
6 with the municipality in which said area is situate. Any such exemption shall
7 be claimed and allowed in the same or a similar manner as in the case of other
8 real property exemptions and no such claim shall be allowed unless the mu-
9 nicipality wherein said property is situated shall certify that a financial
10 agreement with an urban renewal corporation for the development or the re-
11 development of the property has been entered into and is in effect as required
12 by the provisions of this act. In event that an exemption status changes dur-

13 ing a tax year, the procedure for the apportionment of the taxes for said year
14 shall be the same as in the case of other changes in tax exemption status
15 during the tax year.

16 The urban renewal corporation shall make payment to the municipality
17 of an annual service charge for municipal services supplied to said project,
18 in an annual amount equal to $12\frac{1}{2}\%$ of the annual gross revenues from each
19 unit of the project, if the project is undertaken in units, or from the total
20 project, if the project is not to be undertaken in units, for each of the first 5
21 years of operation commencing with the date of the completion of such unit
22 or of the project, as the case may be, and 15% for each of the next 10 years,
23 and $17\frac{1}{2}\%$ for each year thereafter; provided, however, that in no event shall
24 such payment together with the taxes on the land, in any year after first oc-
25 cupancy of the project be less than the total taxes assessed on all real prop-
26 erty in the area covered by the project in the calendar year immediately
27 preceding the acquisition of the said area by the municipality or its agency.

28 The aforesaid payment shall be made annually within 30 days after the
29 close of each such year.

30 Against such annual charge the corporation shall be entitled to credit for
31 the amount, without interest, of the real estate taxes on land paid by it in the
32 last 4 preceding quarterly installments. Upon receiving from the corporation
33 the annual service charge, the municipality receiving such payment shall
34 pay to the county in which the municipality is situated $12\frac{1}{2}\%$ of that portion
35 of the service charge in excess of the taxes paid on the land.

36 At the end of 25 years from the date of the execution of said financial
37 agreement or earlier at the end of 20 years of operation of any unit, if the
38 project is undertaken in units, or of the entire project, if it is not undertaken
39 in units, or at any earlier date provided in the financial agreement between
40 the municipality and the corporation, the tax exemption upon said unit, if the
41 project is undertaken in units, or upon the entire project, if the project is not
42 undertaken in units, shall cease and the improvements and any other property

43 of the corporation as well as the land shall be assessed and taxed, according
44 to general law, like other property in the municipality.

45 At the same date all restrictions and limitations upon the corporation
46 shall terminate and be at an end upon the corporation's rendering its final
47 account with the municipality.

1 27. An urban renewal corporation operating under this act shall, for the
2 period of its enjoyment of tax exemption as under this act and the financial
3 agreement provided, be subject to limitation of its profits and of the dividends
4 payable by it. In the event the net profits of the corporation for the peri-
5 (taken as 1 accounting period) commencing on the date on which the con-
6 struction of the first unit of the project is completed or on which the project
7 is completed, if it is not undertaken in units and terminating at the end of
8 any fiscal year shall exceed the allowable net profit for such period, the
9 corporation shall, within 90 days after the end of such fiscal year, pay such
10 excess profit to the municipality as an additional service charge; provided,
11 however, that the corporation may maintain a reserve against vacancies,
12 unpaid rentals and contingencies in an amount not exceeding 10% of the
13 gross revenues of the corporation for the fiscal year preceding the date on
14 which a determination is being made and may retain such part of such excess
15 profit as may be necessary to eliminate the deficiency, if any, in said reserve.
16 The corporation shall not pay or declare any dividend on any shares of any
17 class of its stock, or make any other distributions on account of any shares
18 of any class of its stock unless, after giving effect thereto, the allowable net
19 profit for the period commencing on the date on which construction of the
20 first unit of the project or the project, if it is not undertaken in units, is
21 completed and terminating at the end of the last fiscal year preceding the
22 date of such proposed dividend or distribution would equal or exceed the
23 aggregate amount of all dividends and other distributions paid or declared on
24 any shares of its stock since its incorporation.

25 Where an urban renewal corporation purchases an existing project from
26 another such corporation, the purchasing corporation shall compute its allow-

27 the net profits, net profits, and dividend payments permitted under this
28 section, commencing with the date that it acquires the project. The date of
29 the transfer of title of the project to the purchasing corporation shall be
30 considered to be the end of the fiscal year of the selling corporation. Within
31 90 days after the date of such transfer of title, the selling corporation shall
32 pay to the municipality a sum equal to the amount of reserve, if any, main-
33 tained by the selling corporation pursuant to this section, as well as the
34 excess profit, if any, payable pursuant to this section by reason of the treat-
35 ment of such date as the end of a fiscal year.

1 28. The tax exemption provided herein shall apply only so long as the
2 urban renewal corporation and its project remain subject to the provisions of
3 this act but in no event longer than 25 years from the date of the execution of
4 the financial agreement. Any corporation organized hereunder may, at any
5 time after the expiration of 1 year from the completion date of the project,
6 notify the governing body of the municipality with which it has entered into
7 a financial agreement that, as of a certain date designated in the notice, it
8 relinquishes its status hereunder. As of the date so set, the tax exemption,
9 the service charges and the profit and dividend restrictions shall terminate.
10 Upon any termination of such tax exemption, obligations and restrictions,
11 whether by affirmative action of the corporation as above provided or by the
12 provisions of this act or pursuant to the financial agreement made here-
13 under the date of such termination shall be deemed to be the end of the fiscal
14 year of said corporation. Within 90 days after the date of such termination,
15 the corporation shall pay to the municipality a sum equal to the amount of the
16 reserve, if any, maintained pursuant to section 27 of this act, as well as the
17 excess profit, if any, payable pursuant to said section 27 by reason of the
18 treatment of such date as the end of a fiscal year.

1 29. An urban renewal corporation shall not have the power, nor shall any
2 financial agreement made pursuant to this act provide that the municipality
3 for its part will undertake, to construct, install, acquire, maintain or operate
4 any property, plant, equipment or facilities which would be competitive with

5 any public utility as the same is defined in section 48:2-13 of the Revised
6 Statutes or competitive with any public utility subject to regulation, super-
7 vision or control by any Federal regulatory body.

1 30. A municipality shall not have the power to acquire by the exercise of
2 the right of eminent domain, for any of the purposes of this act, any prop-
3 erty used by any public utility as the same is defined in section 48:2-13 of
4 the Revised Statutes or used by any public utility subject to regulation,
5 supervision or control by any Federal regulatory body, in furnishing any
6 commodity or service which by law it is authorized to furnish.

1 31. If any municipality, or its duly authorized agency, as part of or in
2 connection with any plan, plan of a project or projects initiated or under-
3 taken in accordance with the provisions of this act, shall vacate any street,
4 avenue, highway, road or other public place or way (herein called "street")
5 on, in or under which is located any property owned or used by any public
6 utility as defined in section 48:2-13 of the Revised Statutes, or owned or used
7 by any public utility subject to regulation, supervision or control by any Fed-
8 eral regulatory body in furnishing any commodity or service which by law
9 it is authorized to furnish, such municipality shall determine, upon the com-
10 pletion of the vacation proceedings, whether the retention of such property
11 in the existing location will interfere with the consummation of the project.

1 32. If such municipality, or its duly authorized agency, shall determine
2 that the retention of such property in such location will interfere with the
3 consummation of the project, it shall make an order requiring the public
4 utility using such property to remove, relocate, rearrange or change such
5 property in accordance with such order, and the cost and expense of such
5a removal, relocation, rearrangement or change, including the cost of installing
6 such property in a new location or locations or changed condition, and the
7 cost of any lands or any rights or interest in lands and any other rights
8 acquired to accomplish such removal, relocation, rearrangement or change
9 shall be paid by the municipality or its duly authorized agency as part of the
10 cost of making land available for use by an urban renewal corporation. In

11 case of the relocation of any such property the public utility using the same,
12 its successors and assigns, may maintain and operate such property, with
13 the necessary appurtenances, in the new locations for as long a period and
14 upon the same terms and conditions and with the same franchise rights as
15 it had the right to maintain and operate such property in its former location.

1 33. If such municipality, or its duly authorized agency, shall determine
2 that the retention of such property in its existing location will not interfere
3 with the consummation of the project, it shall express such determination in
4 a writing which shall be delivered to such public utility, and thereupon and
5 thenceforth such public utility, its successors and assigns, shall have the right,
6 privilege and authority to enter upon the lands which comprised such street
7 prior to its vacation, for the purpose of maintaining, repairing, renewing or
8 removing any such property.

1 34. If any municipality, or its duly authorized agency, as a part of or in
2 connection with any plan, plan of a project or projects initiated or undertaken
3 in accordance with the provisions of this act shall determine that any prop-
4 erty owned or used by any public utility as defined in section 48:2-13 of the
5 Revised Statutes, or owned or used by any public utility subject to regulation,
6 supervision or control by a Federal regulatory body, in furnishing any com-
7 modity or service which it is authorized by law to furnish, which now is or
8 hereafter may be located in, on, along, over or under any street, avenue, high-
9 way, road or other public place or way (herein called "street") shall be re-
10 moved, relocated, rearranged, changed, reconstructed or abandoned, the cost
11 and expense of the removal, relocation, rearrangement, change, reconstruc-
12 tion or abandonment of such property, including the cost of installing, re-
13 constructing and replacing such property in a new location or locations and
14 the cost of any lands or any rights or interests in lands and any other rights
15 acquired to accomplish such removal, relocation, rearrangement, change, re-
16 construction or replacement of such property shall be paid by the municipal-
17 ity or its duly authorized agency as a part of the cost of making land
18 available for use by an urban renewal corporation. In case of the reloca-

Full taxes would be paid on the land, with an additional service charge which with the taxes on the land would equal 12½% of the gross rental income. After 5 years this percentage would increase to 15% for a period of 10 years, and to 17½% for 5 more years, with a maximum limitation of 20 years for any unit of any project or for the entire project if it is not undertaken in units. At no time after first occupancy would the amount paid be less than the amount of the taxes assessed in the area prior to acquisition by the municipality or its agency. During the period of tax limitation, the profits and dividends of the corporation would also be limited.

The purpose of this bill is to promote balanced redevelopment of our municipalities, to encourage the increased investment of private capital in redevelopment by tying tax payments to the economic productivity of redevelopment projects and to assure a rising tax return to the municipality, with full taxes paid during a substantial portion of the economic life of such project.

SENATE COMMITTEE AMENDMENTS TO

SENATE. No. 8

STATE OF NEW JERSEY

ADOPTED MAY 15, 1961

Amend page 2, section 7, delete and substitute following:

"7. 'Project' means the undertaking and execution of the redevelopment of a blighted area, in whole or in part, in accordance with an agreement for the sale of the land concerned to the corporation by a municipality, or agency, or authority, including the work to be done in reference thereto, the designation of the particular proposed buildings to be constructed and their uses and purposes, the landscaping of the premises, the streets and access roads, recreational facilities, if any, the furnishing of the public utilities, the financial arrangements and the terms and conditions of the proposed municipal co-operation and approval."

Amend page 4, section 9, line 2, delete "1½%", and insert "1¼%"; line 8, delete "1½%", and insert "1¼%".

Amend page 5, section 13, lines 2 and 3, delete "for the clearance, replanning, development or redevelopment of a blighted area".

Amend page 5, section 14, line 5, insert after "land available for use" the phrase "for a project".

Amend page 7, section 18, line 2, delete "or grants".

Amend page 8, section 19, line 28, delete "the reasons therefor shall be stated and".

Amend page 10, section 26, line 3, delete "25", and insert "20".

Amend page 11, section 26, lines 16 through 23, delete and insert the following:

"The urban renewal corporation shall make payment to the municipality of an annual service charge for municipal services supplied to said project, in an annual amount equal to 15% of the annual gross revenues from each unit of the project, if the project is undertaken in units, or from the total project if the project is not to be undertaken in units, for each of the years of operation commencing with the date of the completion of such unit or of the project, as the case may be. Where because of the nature of the development, ownership, use or occupancy of the project or any unit thereof if the project is to be undertaken in units, the total annual gross rental cannot be reasonably ascertained under the provisions of section 12 of this act, the governing body shall provide in the financial agreement that the annual service charge shall be a sum equal to 2% of the total project cost or total project unit cost determined pursuant to section 8 of this act, calculated from first day of the month following the substantial completion of the project or any unit thereof if the project is undertaken in units; provided, however, that in no event shall".

Amend page 11, section 26, line 29, insert the word "calendar" after "such".

Amend page 11, section 26, lines 32 through 35, delete the sentence beginning with "Upon receiving" through "on the land." and insert the following:

"On or before January 15 in each year each taxing district shall report to the county board of taxation, in such form as shall be approved by the Director of the Division of Taxation, the amount of the service charge in excess of the taxes on the land chargeable for the preceding calendar year for each project or unit thereof subject to the provisions of this act. The county tax board shall capitalize the amount so reported by each taxing district by dividing the same by the tax rate per hundred dollars of valuation for the taxing district for the preceding year and multiplying the resultant quotient by 100. The result of such capitalization shall be included in the ensuing table of aggregates in a separate column as locally assessed real estate and shall be equalized in the same manner as other real estate for the purposes of apportionment of county taxes and the distribution of State school aid."

Amend page 11, section 26, line 36, delete "25", and insert "20".

Amend page 11, section 26, line 37, delete "20", and insert "15".

Amend page 11, section 26, lines 39 and 40, delete "or at any earlier date provided in the financial agreement between the municipality and the corporation" and insert "whichever occurs first".

Amend page 13, section 28, line 3, delete "25", and insert "20".

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SENATE, No. 366

STATE OF NEW JERSEY

INTRODUCED MARCH 6, 1967

By Senators GOLDMAN, GIBLIN and FERNICOLA

Referred to Committee on State, County and Municipal Government

AN ACT to amend the title of "An act concerning the clearance, replanning, development, and redevelopment of blighted areas in certain cases; authorizing private urban renewal corporations to undertake, and municipalities to participate in, the clearance, replanning, development, and redevelopment of such areas, granting limited period exemptions from taxation in respect to the improvements made in the development and redevelopment of such areas; limiting the profits of, and dividends payable by, private urban renewal corporations enjoying such tax exemption and regulating said private urban renewal corporations and the conditions of use, ownership, management and control of said improvements," approved June 2, 1961 (P. L. 1961, c. 40), so that the same shall read "An act concerning the clearance, replanning, development, and redevelopment of blighted areas in certain cases; authorizing private urban renewal corporations and associations to undertake, and municipalities to participate in, the clearance, replanning, development, and redevelopment of such areas, granting limited period exemptions from taxation in respect to the improvements made in the development and redevelopment of such areas; limiting the profits of, and dividends payable by, private urban renewal corporations and associations enjoying such tax exemption and regulating said private urban renewal corporations and associations and the conditions of use, ownership, management and control of said improvements," and to amend and supplement the body of said act.

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

3 1. The title of chapter 40 of the laws of 1961 is amended to read
4 as follows: An act concerning the clearance, replanning, develop-
5 ment, and redevelopment of blighted areas in certain cases; author-

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 izing private urban renewal corporations *and associations* to
2 undertake, and municipalities to participate in, the clearance,
3 replanning, development, and redevelopment of such areas, grant-
4 ing limited period exemptions from taxation in respect to the
5 improvements made in the development and redevelopment of such
6 areas; limiting the profits of, and dividends payable by, private
7 urban renewal corporations *and associations* enjoying such tax
8 exemption and regulating said private urban renewal corporations
9 *and associations* and the conditions of use, ownership, management
10 and control of said improvements.

11 2. Section 1 of the act of which this act is amendatory is amended
12 to read as follows:

13 1. This act shall be known as the "Urban Renewal Corporation
14 *and Association* Law of 1961."

15 3. "Urban renewal association" means any unincorporated
16 entity including but not limited to a partnership, limited partner-
17 ship, limited partnership association or unincorporated association
18 organized in accordance with this act or the act to which this is a
19 supplement to acquire, construct, operate and maintain a project
20 hereunder, or to acquire, operate and maintain a project con-
21 structed by an urban renewal corporation or other urban renewal
22 association; and the term "association" when used in this act shall
23 be understood to be a contraction of the term "urban renewal
24 association" except when the context indicates otherwise.

25 4. "Urban renewal entity" shall mean any urban renewal cor-
26 poration or urban renewal association as defined herein or in the
27 act to which this act is a supplement.

28 5. Section 7 of the act of which this act is amendatory is amended
29 to read as follows:

30 7. "Project" means the undertaking and execution of the rede-
31 velopment of a blighted area, in whole or in part, in accordance
32 with an agreement for the sale of the land concerned to the corpora-
33 tion *or association* by a municipality, or agency, or authority, in-
34 cluding the work to be done in reference thereto, the designation of
35 the particular proposed buildings to be constructed and their uses
36 and purposes, the landscaping of the premises, the streets and
37 access roads, recreational facilities, if any, the furnishing of the
38 public utilities, the financial arrangements and the terms and con-
39 ditions of the proposed municipal co-operation and approval.

40 6. Section 8 of the act of which this act is amendatory is amended
41 to read as follows:

42 8. "Total project unit cost" or "total project cost" means the
43 aggregate of the following items as related to any unit of a project

1 if the project is to be undertaken in units or to the total project if
 2 the project is not to be undertaken in units: (a) cost of the land to
 3 the urban renewal corporation *or association*; (b) architects',
 4 engineers' and attorneys' fees paid or payable by the corporation
 5 *or association* in connection with the planning, construction and
 6 financing of the project; (c) surveying and testing charges in con-
 7 nection therewith; (d) actual construction cost as certified by the
 8 architect, including the cost of any preparation of the site under-
 9 taken at the corporation's *or association's* expense; (e) insurance,
 10 interest and finance costs during construction; (f) cost of obtaining
 11 initial permanent financing; (g) commissions and other expenses
 12 paid or payable in connection with initial leasing; (h) real estate
 13 taxes and assessments during the construction period; and (i) a
 14 developer's overhead based on a percentage of (d) above, to be
 15 computed in accordance with the following schedule:

| | | |
|----|----------------------------------|-------------------------------------|
| 16 | \$500,000 or less | —10% |
| 17 | \$500,001 through \$1,000,000 | —\$50,000 plus |
| 18 | | 8% on excess above \$500,000 |
| 19 | \$1,000,001 through \$2,000,000 | —\$90,000 plus |
| 20 | | 7% on excess above \$1,000,000 |
| 21 | \$2,000,001 through \$3,500,000 | —\$160,000 plus |
| 22 | | 5.6667% on excess above \$2,000,000 |
| 23 | \$3,500,001 through \$5,500,000 | —\$245,000 plus |
| 24 | | 4.25% on excess above \$3,500,000 |
| 25 | \$5,500,001 through \$10,000,000 | —\$330,000 plus |
| 26 | | 3.7778% on excess above \$5,500,000 |
| 27 | Over \$10 million | —5%. |

28 7. Section 9 of the act of which this act is amendatory is amended
 29 to read as follows:

30 9. "Allowable profit rate" means that percentage per annum
 31 arrived at by adding 1¼% to the annual interest percentage rate
 32 payable on the urban renewal corporation's *or association's* initial
 33 permanent mortgage financing. In the event that the initial per-
 34 manent mortgage is insured or guaranteed by a governmental
 35 agency, any mortgage insurance premium or similar charges, if
 36 payable on a per annum basis, shall be considered as interest for
 37 the purposes hereof. If there is no permanent mortgage financing
 38 the allowable profit rate shall be arrived at by adding 1¼% per
 39 annum to the interest rate per annum which the municipality
 40 determines to be the prevailing rate on mortgage financing on com-
 41 parable improvements in the locality.

42 8. Section 10 of the act of which this act is amendatory is
 43 amended to read as follows:

1 10. "Allowable net profit" means the amount arrived at by
2 applying the allowable profit rate to each total project unit cost, if
3 the project is to be undertaken in units or the total project cost if
4 the project is not to be undertaken in units for the period com-
5 mencing on the date on which the construction of the unit or the
6 project is completed, as the case may be, and terminating at the end
7 of the fiscal year of the urban renewal corporation *or association*
8 preceding the date on which a computation is being made.

9 9. Section 11 of the act of which this act is amendatory is
10 amended to read as follows:

11 11. "Net profit" means the gross revenues of the urban renewal
12 corporation *or association* less all operating and nonoperating
13 expenses of the corporation *or association*, all determined in accord-
14 ance with generally accepted accounting principles provided that
15 (a) there shall be included in expenses (1) all annual service
16 charges paid pursuant to section 26 of this act, (2) all payments
17 to the municipality of excess profit pursuant to section 27 of this
18 act, and (3) an annual amount sufficient to amortize the total
19 project cost over the life of the improvements, as set forth in the
20 financial agreement herein provided for, which in no case shall be
21 less than 25 years, and (b) there shall not be included in expenses
22 either (1) depreciation or obsolescence, (2) interest on debt, (3)
23 taxes on income, or (4) salaries, bonuses and other compensation
24 paid, directly or indirectly, to directors, officers and stockholders
25 of the corporation *or officers, partners or other persons holding any*
26 *proprietary or ownership interest in any association.*

27 10. Section 12 of the act of which this act is amendatory is
28 amended to read as follows:

29 12. "Annual gross revenue" means the total annual gross rental
30 and other income of an urban renewal corporation *or association*
31 from the project. If in any leasing, any real estate taxes or assess-
32 ments on property included in the project, any premiums for fire
33 or other insurance on or concerning property included in the
34 project or any operating or maintenance expenses ordinarily paid
35 by a landlord are to be paid by the tenant, then such payments
36 shall be computed and deemed to be part of the rent and shall be
37 included in the annual gross revenue. The financial agreement
38 hereinafter provided for shall establish the method of computing
39 such additional revenue and may establish a method of arbitration
40 where either the landlord or the tenant dispute the amount of such
41 payments so included in the annual gross revenue.

42 11. Section 13 of the act of which this act is amendatory is
43 amended to read as follows:

1 13. Any urban renewal corporation *or association* qualifying
2 under this act *or any supplement thereto* may undertake a project,
3 and when so authorized by a financial agreement with a munici-
4 pality pursuant to this act, may acquire, plan, develop, construct,
5 alter, maintain or operate housing, business, industrial, com-
6 mercial, cultural or recreational projects or any combination of 2
7 or more such types of improvement in a single project. The con-
8 ditions of use, ownership, management and control of the improve-
9 ments in any such project shall be regulated as herein provided.

10 12. Section 14 of the act of which this act is amendatory is
11 amended to read as follows:

12 14. When any municipality or agency or authority thereof has
13 acquired land constituting or being a part of a blighted area, pur-
14 suant to chapter 187 of the laws of 1949, chapter 300 of the laws of
15 1949, or chapter 306 of the laws of 1949, the governing body of the
16 municipality, or the agency or authority, by resolution, may make
17 such land available for use for a project by an urban renewal
18 corporation *or association*, qualified under this act *or any supple-*
19 *ment thereto*, by private sale, upon such terms and conditions as
20 shall be agreed upon by the said governing body or said agency or
21 authority and said corporation *or association*. Any such resolution
22 shall include a determination of the use value of the said land and
23 the price to be paid therefor by the said corporation *or association*
24 shall not be less than the amount so determined.

25 13. Any 2 or more individuals, may qualify to operate as a
26 partnership, limited partnership, limited partnership association
27 or other unincorporated association or entity by filing such certifi-
28 cate or statement as may be required by any statute governing the
29 form selected and in addition to any other requirement contained
30 therein incorporate the following provisions:

31 (a) The name of the association or the trade name under which
32 the association shall conduct its business shall include the words
33 "urban renewal."

34 (b) The object for which it is formed shall be to operate under
35 this act or the act to which this is a supplement and to initiate and
36 conduct projects for the clearance, replanning, development and
37 redevelopment of blighted areas in municipalities and, when so
38 authorized by financial agreement with a municipality pursuant to
39 this act or the act to which this is a supplement, to acquire, plan,
40 develop, construct, alter, maintain or operate housing, business,
41 industrial, commercial, cultural or recreational project or any com-
42 bination of any 2 or more such types of improvement in a single
43 project, under such conditions as to use, ownership, management

1 and control as shall be regulated pursuant to this act or the act
2 to which this is a supplement.

3 (c) A provision that so long as the association is obligated under
4 a financial agreement with a municipality made pursuant to this
5 act or the act to which this is a supplement, it shall engage in no
6 business other than the ownership, operation and management of a
7 single project.

8 (d) A declaration that the association has been organized to
9 serve a public purpose, that its operations shall be directed toward
10 providing for and making possible the clearance, replanning,
11 development or redevelopment of blighted areas or the acquisition,
12 management and operation of a project hereunder; and that it
13 shall, as provided herein, be subject to regulation by the municipi-
14 pality in which its project is situated, and to a limitation on profits
15 for so long as it remains the owner of a project subject to the
16 provisions of this act or the act to which this is a supplement.

17 (e) A provision that the association shall not voluntarily
18 transfer the project undertaken by it under the terms of this act
19 or the act to which this is a supplement, until it has first removed
20 both itself and the project from all restrictions hereunder in the
21 manner hereinafter set forth; but with a proviso that the foregoing
22 restriction shall not be applied to prevent the transfer of a project
23 to another urban renewal association or corporation which, with
24 the consent of the municipality in which the project is located, shall
25 assume all the contractual obligations of the transferor association
26 or corporation under its financial agreement with the said municipi-
27 pality.

28 If the association shall not by reason of any other law be required
29 to file a certificate or statement, then the said association in addi-
30 tion to the requirements set forth above shall file a certificate in
31 the office of the clerk of the county in which its principal place of
32 business is located setting forth its full name and the name under
33 which it shall do business, its duration, the location of its principal
34 offices and the name of a person or persons upon whom service may
35 be effected and the name and address and extent of each person
36 having any ownership or proprietary interest therein.

37 14. Each urban renewal association qualifying under this act,
38 shall have and may exercise such of the powers conferred by statute
39 or by law on the form of entity selected and as shall be necessary
40 for the operation of the business of such association and as shall be
41 consistent with the provisions of this act or the act to which this is
42 a supplement and shall and may exercise, also, the powers con-
43 ferred by this act or the act to which this is a supplement but so

1 long as it shall be operated under this act or the act to which this is
2 a supplement, it shall be subject to the restrictions contained
3 therein. If such association shall have freed itself and its project
4 from the restrictions of this act or the act to which this is a supple-
5 ment and its financial agreement with the municipality, in the
6 manner provided herein or in the act to which this is a supplement,
7 it shall no longer exercise any of the special powers or be subject to
8 any of the restrictions contained in this act or the act to which
9 this is a supplement.

10 15. Section 17 of the act of which this act is amendatory is
11 amended to read as follows:

12 17. When an urban renewal **【corporation】** *entity* has, with the
13 consent of the municipality in which its project is located, trans-
14 ferred its project to another such **【corporation】** *entity* which has
15 assumed the contractual obligations of the transferor **【corpora-**
16 **tion】** *entity* with the municipality, the transferor **【corporation】**
17 *entity* shall be discharged from any further obligation under the
18 said financial agreement and shall be qualified to undertake another
19 project with the same or a different municipality.

20 16. Section 18 of the act of which this act is amendatory is
21 amended to read as follows:

22 18. An urban renewal corporation *or association* in carrying out
23 projects may:

24 (a) Accept loans from the Federal Government, the State or a
25 political subdivision thereof or other public agency in aid of a
26 development or redevelopment project owned or to be acquired or
27 undertaken by the corporation *or association*.

28 (b) Obtain, or aid in obtaining, from the Federal Government
29 any insurance or guarantee, or commitment therefor, as to, or for
30 the payment or repayment of interest or principal, or both, or any
31 part thereof, of any loan or other extension of credit, or of any
32 instrument evidencing or securing the same, obtained or to be
33 obtained or entered into by it, and to enter into any agreement or
34 contract, or execute any instrument whatsoever with respect to any
35 such insurance or guarantee.

36 17. Section 19 of the act of which this act is amendatory is
37 amended to read as follows:

38 19. Every urban renewal corporation *or association* qualifying
39 under this act, before proceeding with any project herein author-
40 ized, shall make written application to the municipality for
41 approval thereof. Said application shall be in such form and shall
42 certify to such facts and data as shall be required by the munici-
43 pality, and may include but shall not be limited to:

1 (a) A general statement of the nature of the proposed project,
2 that the undertaking conforms to all applicable municipal ordi-
3 nances, that its completion will meet an existing need, and that the
4 project accords with the master plan or official map, if any, of the
5 municipality.

6 (b) A description of the proposed project outlining the area
7 included and a description of each unit thereof if the project is to
8 be undertaken in units and setting out such architectural and site
9 plans as may be required.

10 (c) A statement of the estimated cost of the proposed project in
11 such detail as may be required, including the estimated cost of each
12 unit if it is to be so undertaken.

13 (d) The source, method and amount of money to be subscribed
14 through the investment of private capital, setting forth the amount
15 of stock or other securities to be issued therefor *or in the case of an*
16 *association the extent of capital invested and the proprietary or*
17 *ownership interest obtained in consideration therefor.*

18 (e) A fiscal plan for the project outlining a schedule of rents,
19 the estimated expenditures for operation and maintenance, pay-
20 ments for interest, amortization of debt and reserves, and payments
21 to the municipality to be made pursuant to a financial agreement
22 to be entered into with said municipality.

23 Such application shall be addressed and submitted, to the mayor
24 of the municipality, who shall, within 60 days after receipt thereof,
25 submit it with his recommendations to the governing body. The
26 governing body shall by resolution approve or disapprove the
27 application, but in the event of disapproval, changes may be
28 suggested to secure its approval. An application may be revised
29 and resubmitted.

30 18. Section 20 of the act of which this act is amendatory is
31 amended to read as follows:

32 20. Every approved project shall be evidenced by a financial
33 agreement between the municipality and the corporation *or asso-*
34 *ciation*. Such agreement shall be prepared by the corporation *or*
35 *association* and submitted as a separate part of its application for
36 project approval.

37 The financial agreement shall be in the form of a contract re-
38 quiring full performance within 20 years from the date of comple-
39 tion of the project and shall include the following:

40 (a) That the profits of and dividends payable by the corporation
41 *or profits of any association* shall be limited as hereinafter provided;

42 (b) That all improvements in the project to be constructed or
43 acquired by the corporation *or association* shall be exempt from
44 taxation as hereinafter provided;

1 (c) That the corporation *or association* shall make payments for
2 municipal services as hereinafter provided;

3 (d) That the corporation *or association* shall submit annually,
4 within 90 days after the close of its fiscal year, its auditor's reports
5 to the mayor and governing body of the municipality;

6 (e) That the corporation *or association* shall, upon request,
7 permit inspection of property, equipment, buildings and other
8 facilities of the corporation, *or association*, and also permit exam-
9 ination and audit of its books, contracts, records, documents and
10 papers by authorized representatives of the municipality;

11 (f) That in the event of any dispute between the parties the
12 matters in controversy shall be resolved by arbitration in the
13 manner provided therein;

14 (g) That operation under the financial agreement shall be
15 terminable by the corporation *or association* in the manner pro-
16 vided by this act;

17 (h) That the corporation *or association* shall at all times prior
18 to the expiration or other termination of the financial agreement
19 remain bound by the provisions of this act.

20 19. Section 21 of the act of which this act is amendatory is
21 amended to read as follows:

22 21. The financial agreement may provide that the municipality
23 will consent to a sale of the project by the urban renewal [corpora-
24 tion] *entity* to another [such corporation] *urban renewal entity*
25 *organized under this act or any supplement thereto* owning no
26 other project at the time of the transfer and that, upon assumption
27 by the transferee [corporation] *urban renewal entity* of the trans-
28 feror's obligations under the financial agreement, the tax exemp-
29 tion of the improvement as herein provided shall continue and
30 inure to the transferee [corporation] *urban renewal entity*.

31 20. Section 22 of the act of which this act is amendatory is
32 amended to read as follows:

33 22. The financial agreement may also provide that the corpora-
34 tion *or association* furnish bond or other security for the comple-
35 tion of the project and for the disposition of the project property
36 including the buildings in the event of a default in construction or
37 abandonment of the work.

38 21. Section 23 of the act of which this act is amendatory is
39 amended to read as follows:

40 23. The financial agreement shall contain detailed representa-
41 tions and covenants by the corporation *or association* as to the
42 manner in which it proposes to manage or operate the project. The
43 financial agreement shall further set forth the plans for financing

1 the project, including the estimated total project cost, the amortiza-
2 tion rate on the total project cost, the source of funds, the interest
3 rates to be paid on the construction financing, the source and
4 amount of paid-in capital, the terms of mortgage amortization or
5 payment of principal on any mortgage, and the rental schedules
6 and lease terms to be used in the project.

7 22. Section 25 of the act of which this act is amendatory is
8 amended to read as follows:

9 25. Modifications of the financial agreement may from time to
10 time be made by agreement between the governing body of the
11 municipality and the corporation *or association*.

12 23. Section 26 of the act of which this act is amendatory is
13 amended to read as follows:

14 26. The improvements made in the development or redevelop-
15 ment of a blighted area, pursuant to this act, shall be exempt from
16 taxation for a period of not more than 20 years from the date of
17 the execution of a financial agreement for the development or
18 redevelopment of the property upon which the improvements are to
19 be made pursuant to a financial agreement entered into with the
20 municipality in which said area is situate. Any such exemption
21 shall be claimed and allowed in the same or a similar manner as in
22 the case of other real property exemptions and no such claim shall
23 be allowed unless the municipality wherein said property is situated
24 shall certify that a financial agreement with an urban renewal
25 corporation *or association* for the development or the redevelop-
26 ment of the property has been entered into and is in effect as
27 required by the provisions of this act. In event that an exemption
28 status changes during a tax year, the procedure for the apportion-
29 ment of the taxes for said year shall be the same as in the case of
30 other changes in tax exemption status during the tax year.

31 The urban renewal corporation *or association* shall make pay-
32 ment to the municipality of an annual service charge for municipal
33 services supplied to said project, in an annual amount equal to 15%
34 of the annual gross revenues from each unit of the project, if the
35 project is undertaken in units, or from the total project if the
36 project is not to be undertaken in units, for each of the years of
37 operation commencing with the date of the completion of such
38 unit or of the project, as the case may be. Where because of the
39 nature of the development, ownership, use or occupancy of the
40 project or any unit thereof if the project is to be undertaken in
41 units, the total annual gross rental cannot be reasonably ascer-
42 tained under the provisions of section 12 of this act, the governing
43 body shall provide in the financial agreement that the annual

1 service charge shall be a sum equal to 2% of the total project cost or
2 total project unit cost determined pursuant to section 8 of this act,
3 calculated from first day of the month following the substantial
4 completion of the project or any unit thereof if the project is
5 undertaken in units; provided, however, that in no event shall such
6 payment together with the taxes on the land, in any year after first
7 occupancy of the project be less than the total taxes assessed on all
8 real property in the area covered by the project in the calendar year
9 immediately preceding the acquisition of the said area by the
10 municipality or its agency.

11 The aforesaid payment shall be made annually within 30 days
12 after the close of each such calendar year.

13 Against such annual charge the corporation *or association* shall
14 be entitled to credit for the amount, without interest, of the real
15 estate taxes on land paid by it in the last 4 preceding quarterly
16 installments. On or before January 15 in each year each taxing
17 district shall report to the county board of taxation, in such form
18 as shall be approved by the Director of the Division of Taxation,
19 the amount of the service charge in excess of the taxes on the land
20 chargeable for the preceding calendar year for each project or unit
21 thereof subject to the provisions of this act. The county tax board
22 shall capitalize the amount so reported by each taxing district by
23 dividing the same by the tax rate per hundred dollars of valuation
24 for the taxing district for the preceding year and multiplying the
25 resultant quotient by 100. The result of such capitalization shall be
26 included in the ensuing table of aggregates in a separate column as
27 locally assessed real estate and shall be equalized in the same
28 manner as other real estate for the purposes of apportionment of
29 county taxes **[and the distribution of State school aid]**.

30 At the end of 20 years from the date of the execution of said
31 financial agreement or earlier at the end of 15 years of operation of
32 any unit, if the project is undertaken in units, or of the entire
33 project, if it is not undertaken in units, whichever occurs first, the
34 tax exemption upon said unit, if the project is undertaken in units,
35 or upon the entire project, if the project is not undertaken in units,
36 shall cease and the improvements and any other property of the
37 corporation *or association* as well as the land shall be assessed and
38 taxed, according to general law, like other property in the munici-
39 pality.

40 At the same date all restrictions and limitations upon the corpo-
41 ration *or association* shall terminate and be at an end upon the
42 corporation's *or association's* rendering its final account with the
43 municipality.

1 24. Section 27 of the act of which this act is amendatory is
2 amended to read as follows:

3 27. An urban renewal corporation *or association* operating under
4 this act shall, for the period of its enjoyment of tax exemption as
5 under this act and the financial agreement provided, be subject to
6 limitation of its profits and *in addition, in the case of a corporation,*
7 of the dividends payable by it. In the event the net profits of the
8 corporation *or association* for the period (taken as one accounting
9 period) commencing on the date on which the construction of the
10 first unit of the project is completed or on which the project is
11 completed, if it is not undertaken in units and terminating at the
12 end of any fiscal year shall exceed the allowable net profit for such
13 period, the corporation *or association* shall, within 90 days after the
14 end of such fiscal year, pay such excess profit to the municipality
15 as an additional service charge; provided, however, that the
16 corporation *or association* may maintain a reserve against
17 vacancies, unpaid rentals and contingencies in an amount not
18 exceeding 10% of the gross revenues of the corporation *or associa-*
19 *tion* for the fiscal year preceding the date on which a determination
20 is being made and may retain such part of such excess profit as may
21 be necessary to eliminate the deficiency, if any, in said reserve.
22 **[The]** *No association shall make any distribution of profits nor*
23 *shall any* corporation **[shall not]** pay or declare any dividend on
24 any shares of any class of its stock, or make any other distributions
25 on account of any shares of any class of its stock unless, after giving
26 effect thereto, the allowable net profit for the period commencing
27 on the date on which construction of the first unit of the project or
28 the project, if it is not undertaken in units, is completed and term-
29 inating at the end of the last fiscal year preceding the date of such
30 proposed dividend or distribution would equal or exceed the
31 aggregate amount of all dividends and other distributions paid or
32 declared on any shares of its stock since its incorporation.

33 Where an urban renewal **[corporation]** *entity* purchases an
34 existing project from another such **[corporation]** *entity*, the
35 purchasing **[corporation]** *entity* shall compute its allowable net
36 profits, **[net profits,]** and, *in the case of a corporation* dividend
37 payments permitted under this section, commencing with the date
38 that it acquires the project. The date of the transfer of title of the
39 project to the purchasing **[corporation]** *entity* shall be considered
40 to be the end of the fiscal year of the selling **[corporation]** *entity*.
41 Within 90 days after the date of such transfer of title, the selling
42 **[corporation]** *entity* shall pay to the municipality a sum equal to
43 the amount of reserve, if any, maintained by the selling

1 **[corporation]** *entity* pursuant to this section, as well as the excess
2 profit, if any, payable pursuant to this section by reason of the
3 treatment of such date as the end of a fiscal year.

4 25. Section 28 of the act of which this act is amendatory is
5 amended to read as follows:

6 28. The tax exemption provided herein shall apply only so long
7 as the urban renewal corporation *or association* and its project
8 remain subject to the provisions of this act but in no event longer
9 than 20 years from the date of the execution of the financial agree-
10 ment. Any corporation *or association* organized hereunder may,
11 at any time after the expiration of 1 year from the completion date
12 of the project, notify the governing body of the municipality with
13 which it has entered into a financial agreement that, as of a certain
14 date designated in the notice, it relinquishes its status hereunder.
15 As of the date so set, the tax exemption, the service charges and the
16 profit and dividend restrictions shall terminate. Upon any termina-
17 tion of such tax exemption, obligations and restrictions, whether
18 by affirmative action of the corporation *or association* as above
19 provided or by the provisions of this act or pursuant to the financial
20 agreement made hereunder the date of such termination shall be
21 deemed to be the end of the fiscal year of said corporation *or*
22 *association*. Within 90 days after the date of such termination, the
23 corporation *or association* shall pay to the municipality a sum equal
24 to the amount of the reserve, if any, maintained pursuant to section
25 27 of this act, as well as the excess profit, if any, payable pursuant
26 to said section 27 by reason of the treatment of such date as the
27 end of a fiscal year.

28 26. Section 29 of the act of which this act is amendatory is
29 amended to read as follows:

30 29. An urban renewal corporation *or association* shall not have
31 the power, nor shall any financial agreement made pursuant to this
32 act provide that the municipality for its part will undertake, to
33 construct, install, acquire, maintain or operate any property, plant,
34 equipment or facilities which would be competitive with any public
35 utility as the same is defined in section 48:2-13 of the Revised
36 Statutes or competitive with any public utility subject to regula-
37 tion, supervision or control by any Federal regulatory body.

38 27. Section 32 of the act of which this act is amendatory is
39 amended to read as follows:

40 32. If such municipality, or its duly authorized agency, shall
41 determine that the retention of such property in such location will
42 interfere with the consummation of the project, it shall make an
43 order requiring the public utility using such property to remove,

1 relocate, rearrange or change such property in accordance with
2 such order, and the cost and expense of such removal, relocation,
3 rearrangement or change, including the cost of installing such
4 property in a new location or locations or changed condition, and
5 the cost of any lands or any rights or interest in lands and any
6 other rights acquired to accomplish such removal, relocation, rear-
7 rangement or change shall be paid by the municipality or its duly
8 authorized agency as part of the cost of making land available for
9 use by an urban renewal corporation *or association*. In case of the
10 relocation of any such property the public utility using the same, its
11 successors and assigns, may maintain and operate such property,
12 with the necessary appurtenances, in the new locations for as long
13 a period and upon the same terms and conditions and with the same
14 franchise rights as it had the right to maintain and operate such
15 property in its former location.

16 28. Section 34 of the act of which this act is amendatory is
17 amended to read as follows:

18 34. If any municipality, or its duly authorized agency, as a part
19 of or in connection with any plan, plan of a project or projects
20 initiated or undertaken in accordance with the provisions of this
21 act shall determine that any property owned or used by any public
22 utility as defined in section 48:2-13 of the Revised Statutes, or
23 owned or used by any public utility subject to regulation, supervi-
24 sion or control by a Federal regulatory body, in furnishing any com-
25 modity or service which it is authorized by law to furnish, which
26 now is or hereafter may be located in, on, along, over or under any
27 street, avenue, highway, road or other public place or way (herein
28 called "street") shall be removed, relocated, rearranged, changed,
29 reconstructed or abandoned, the cost and expense of the removal,
30 relocation, rearrangement, change, reconstruction or abandonment
31 of such property, including the cost of installing, reconstructing and
32 replacing such property in a new location or locations and the cost
33 of any lands or any rights or interests in lands and any other rights
34 acquired to accomplish such removal, relocation, rearrangement,
35 change, reconstruction or replacement of such property shall be
36 paid by the municipality or its duly authorized agency as a part of
37 the cost of making land available for use by an urban renewal
38 corporation *or association*. In case of the relocation of any such
39 property the public utility using the same, its successors and
40 assigns, may maintain and operate such property, with the
41 necessary appurtenances, in the new locations for as long a period
42 and upon the same terms and conditions as it had a right to main-
43 tain and operate such property in its former location.

44 29. This act shall take effect immediately.

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Sponsor to
STATEMENT

The attached bill essentially makes it possible for private developers to utilize the benefits of the urban renewal corporation law of 1961 through unincorporated entities as well as through a corporate form of sponsorship. The present law is limited to the corporate form and deprives sponsors of tax advantages under Federal law which are available, under certain circumstances, to unincorporated entities. By making the law more flexible, there should be an increased flow of private capital into urban renewal under this law because of benefits available through tax planning. This will mean a "shot-in-the-arm" for urban renewal by making it easier to find financially responsible sponsors.

While the New Jersey State Constitution, Article VIII, Section III, Par. I is written in terms of "corporations" participating in slum clearance and redevelopment, the recent case of *McClintock v. Trenton* 47 N. J. 102 (1966) indicates that this does not restrict such programs to corporations and that use of noncorporate entities would be equally appropriate.

NEW JERSEY LEGISLATURE
ASSEMBLY

1967