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"Extreme tax relief for foster mother," The Star-Ledger, May 7, 2007, p.13

"Tax break answers family's prayer," The Record, May 7, 2007, p.A03

RWH 4/25/08

P.L. 2007, CHAPTER 90, *approved May 6, 2007*
Assembly Committee Substitute for
Assembly, No. 3334

1 AN ACT concerning real property tax abatements for certain
2 renovated property, amending P.L.1992, c.79 and supplementing
3 P.L.1991, c.441 (C.40A:21-1 et seq.).
4

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

8 1. Section 14 of P.L.1992, c.79 (C.40A:12A-14) is amended to
9 read as follows:

10 14. a. A delineated area may be determined to be in need of
11 rehabilitation if the governing body of the municipality determines
12 by resolution that there exist in that area conditions such that (1) a
13 significant portion of structures therein are in a deteriorated or
14 substandard condition and there is a continuing pattern of vacancy,
15 abandonment or underutilization of properties in the area, with a
16 persistent arrearage of property tax payments thereon or (2) more
17 than half of the housing stock in the delineated area is at least 50
18 years old, or a majority of the water and sewer infrastructure in the
19 delineated area is at least 50 years old and is in need of repair or
20 substantial maintenance; and (3) a program of rehabilitation, as
21 defined in section 3 of P.L.1992, c.79 (C.40A:12A-3), may be
22 expected to prevent further deterioration and promote the overall
23 development of the community. Where warranted by consideration
24 of the overall conditions and requirements of the community, a
25 finding of need for rehabilitation may extend to the entire area of a
26 municipality. Prior to adoption of the resolution, the governing
27 body shall submit it to the municipal planning board for its review.
28 Within 45 days of its receipt of the proposed resolution, the
29 municipal planning board shall submit its recommendations
30 regarding the proposed resolution, including any modifications
31 which it may recommend, to the governing body for its
32 consideration. Thereafter, or after the expiration of the 45 days if
33 the municipal planning board does not submit recommendations, the
34 governing body may adopt the resolution, with or without
35 modification. The resolution shall not become effective without the
36 approval of the commissioner pursuant to section 6 of P.L.1992,
37 c.79 (C.40A:12A-6), if otherwise required pursuant to that section.

38 b. A delineated area shall be deemed to have been determined
39 to be an area in need of rehabilitation in accordance with the
40 provisions of this act if it has heretofore been determined to be an
41 area in need of rehabilitation pursuant to P.L.1975, c.104 (C.54:4-
42 3.72 et seq.), P.L.1977, c.12 (C.54:4-3.95 et seq.) or P.L.1979,
43 c.233 (C.54:4-3.121 et seq.).

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 c. (1) A municipality may adopt an ordinance declaring a
2 renovation housing project to be an area in need of rehabilitation for
3 the purposes of Article VIII, Section I, paragraph 6 of the New
4 Jersey Constitution if the need for renovation resulted from
5 conflagration.

6 (2) For the purposes of this subsection, “renovation housing
7 project” means any work or undertaking to provide a decent, safe,
8 and sanitary dwelling, to exclusively benefit a specific household,
9 by the renovation, reconstruction, or replacement of the household’s
10 home on the same lot by either a charitable entity organized to
11 perform home renovations or by a for-profit builder using 75% or
12 more volunteer labor-hours to accomplish the construction for the
13 project. The undertaking may include any buildings; demolition,
14 clearance, or removal of buildings from land; equipment; facilities;
15 or other personal properties or interests therein which are necessary,
16 convenient, or desirable appurtenances of the undertaking.

17 (cf: P.L.2003, c.125, s.5)

18
19 2. (New section) A municipality may adopt an ordinance
20 granting an abatement or exemption from taxation for
21 improvements to a residential property resulting from a renovation
22 housing project, as defined under subsection c. of section 14 of
23 P.L.1992, c.79 (C.40A:12A-14) (as amended by section 1 of this
24 bill). The ordinance shall require that, in determining the value of
25 real property, the municipality shall regard up to and including the
26 assessor's full and true value of the improvements as not increasing
27 the taxable value of the property for a period of five years,
28 notwithstanding that the market value of the property to which the
29 improvements are made is increased thereby. During the exemption
30 period, the assessment on the property shall not be less than the
31 assessment thereon immediately prior to the conflagration affecting
32 the value of the property, unless there is damage to the structure
33 through action of the elements sufficient to warrant a reduction.
34 The ordinance may provide for a reduction of the abatement or
35 exemption for each year of the exemption period.

36
37 3. This act shall take effect immediately.

38
39
40 _____
41
42 Permits short-term tax exemption or abatement for houses
43 destroyed by fire when reconstruction or renovation is performed by
44 charitable entity, or for-profit using volunteer labor.

ASSEMBLY, No. 3334

STATE OF NEW JERSEY 212th LEGISLATURE

INTRODUCED JUNE 15, 2006

Sponsored by:

Assemblyman CRAIG A. STANLEY

District 28 (Essex)

SYNOPSIS

Permits long-term tax exemptions for reconstruction or renovation of houses in areas in need of redevelopment performed by charitable entities or for-profits using volunteer labor.

CURRENT VERSION OF TEXT

As introduced.



A3334 STANLEY

2

1 AN ACT concerning real property tax abatements for residential
2 reconstruction in areas in need of redevelopment and amending
3 P.L.1991, c.431.

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

7
8 1. Section 3 of P.L.1991, c.431 (C.40A:20-3) is amended to read
9 as follows:

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

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

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

42 "Allowable profit rate" means the greater of 12% or the
43 percentage per annum arrived at by adding 1 1/4% to the annual
44 interest percentage rate payable on the entity's initial permanent
45 mortgage financing. If the initial permanent mortgage is insured or

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

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

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

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

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

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

46 e. "Project" means any work or undertaking pursuant to a
47 redevelopment plan adopted pursuant to the "Local Redevelopment
48 and Housing Law," P.L.1992, c.79 (C.40A:12A-1 et al.), which has

1 as its purpose the redevelopment of all or any part of a
2 redevelopment area including any industrial, commercial,
3 residential or other use, and may include any buildings, land,
4 including demolition, clearance or removal of buildings from land,
5 equipment, facilities, or other real or personal properties which are
6 necessary, convenient, or desirable appurtenances, such as, but not
7 limited to, streets, sewers, utilities, parks, site preparation,
8 landscaping, and administrative, community, health, recreational,
9 educational and welfare facilities.

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

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

25 h. "Total project unit cost" or "total project cost" means the
26 aggregate of the following items as related to a unit of a project, if
27 the project is undertaken in units, or to the total project, if the
28 project is not undertaken in units, all of which as limited by, and
29 approved as part of the financial agreement: (1) cost of the land and
30 improvements to the entity, whether acquired from a private or a
31 public owner, with cost in the case of leasehold interests to be
32 computed by capitalizing the aggregate rental at a rate provided in
33 the financial agreement; (2) architect, engineer and attorney fees,
34 paid or payable by the entity in connection with the planning,
35 construction and financing of the project; (3) surveying and testing
36 charges in connection therewith; (4) actual construction costs which
37 the entity shall cause to be certified and verified to the municipality
38 and the municipal governing body by an independent and qualified
39 architect, including the cost of any preparation of the site
40 undertaken at the entity's expense; (5) insurance, interest and
41 finance costs during construction; (6) costs of obtaining initial
42 permanent financing; (7) commissions and other expenses paid or
43 payable in connection with initial leasing; (8) real estate taxes and
44 assessments during the construction period; (9) a developer's
45 overhead based on a percentage of actual construction costs, to be
46 computed at not more than the following schedule:

47 \$500,000 or less - 10%

A3334 STANLEY

1 \$500,000 through \$1,000,000 - \$50,000 plus 8% on
2 excess above \$500,000
3 \$1,000,001 through \$2,000,000 - \$90,000 plus 7% on
4 excess above \$1,000,000
5 \$2,000,001 through \$3,500,000 - \$160,000 plus 5.6667%
6 on excess above \$2,000,000
7 \$3,500,001 through \$5,500,000 - \$245,000 plus 4.25% on
8 excess above \$3,500,000
9 \$5,500,001 through \$10,000,000 - \$330,000 plus 3.7778%
10 on excess above \$5,500,000
11 over \$10,000,000 - 5%

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

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

37 i. "Housing project" means any work or undertaking to provide
38 decent, safe, and sanitary dwellings for families in need of housing;
39 the undertaking may include any buildings, land (including
40 demolition, clearance or removal of buildings from land),
41 equipment, facilities, or other real or personal properties or interests
42 therein which are necessary, convenient or desirable appurtenances
43 of the undertaking, such as, but not limited to, streets, sewers,
44 water, utilities, parks; site preparation; landscaping, and
45 administrative, community, health, recreational, educational,
46 welfare, commercial, or other facilities, or to provide any part or
47 combination of the foregoing.

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6

1 j. "Redevelopment relocation housing project" means a
2 housing project which is necessary, useful or convenient for the
3 relocation of residents displaced by redevelopment of all or any part
4 of one or more redevelopment areas.

5 k. "Low and moderate income housing project" means a
6 housing project which is occupied, or is to be occupied, exclusively
7 by households whose incomes do not exceed income limitations
8 established pursuant to any State or federal housing program.

9 l. "Qualified subsidized housing project" means a low and
10 moderate income housing project owned by a nonprofit corporation
11 organized under the provisions of Title 15A of the New Jersey
12 Statutes for the purpose of developing, constructing and operating
13 rental housing for senior citizens under section 202 of Pub.L. 86-
14 372 (12 U.S.C. s.1701q) or rental housing for persons with
15 disabilities under section 811 of Pub.L. 101-625 (42 U.S.C. s.8013),
16 or under any other federal program that the Commissioner of
17 Community Affairs by rule may determine to be of a similar nature
18 and purpose.

19 m. "Debt service" means the amount required to make annual
20 payments of principal and interest or the equivalent thereof on any
21 construction mortgage, permanent mortgage or other financing
22 including returns on institutional equity financing and market rate
23 related party debt for a project for a period equal to the term of the
24 tax exemption granted by a financial agreement.

25 n. "Renovation housing project" means a housing project
26 performed for a specific person or family to renovate, reconstruct,
27 or replace their home on the same lot by a charitable entity
28 organized to perform home renovations or by a for-profit builder
29 using 75% or more volunteer labor-hours to accomplish the
30 construction for the project.

31 (cf: P.L.2003, c.125, s.7)

32

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

35 4. a. The governing body of a municipality which has adopted a
36 redevelopment plan pursuant to the "Local Redevelopment and
37 Housing Law," P.L.1992, c.79 (C.40A:12A-11 et al.) may enter into
38 a financial agreement with an urban renewal entity for the
39 undertaking of a project set forth in a redevelopment plan adopted
40 by the governing body pursuant to the "Local Redevelopment and
41 Housing Law," P.L.1992, c.79 (C.40A:12A-1 et al.) or a project
42 necessary, useful, or convenient for the relocation of residents
43 displaced or to be displaced by the redevelopment of all or any part
44 of one or more redevelopment areas, or a low and moderate income
45 housing project. The financial agreement shall include, but not be
46 limited to, those provisions set forth in sections 8, 9, 10 and 11 of
47 P.L.1991, c.431 (C.40A:20-8 through 40A:20-11), and shall be
48 subject to review and approval as required by section 8 of P.L.1991,

1 c.431 (C.40A:20-8) prior to execution. The municipality which
2 enters into the agreement shall retain all necessary authority and
3 control for the redevelopment of the redevelopment area set forth in
4 the plan, and the undertaking of a project by an urban renewal
5 entity pursuant to that plan and P.L.1991, c.431 (C.40A:20-1 et
6 seq.) shall be deemed a delegation of the powers of the municipality
7 to undertake the project, which delegation shall be limited by the
8 terms of the agreement and the provisions of P.L.1991, c.431
9 (C.40A:20-1 et seq.).

10 An urban renewal entity pursuant to an agreement may undertake
11 a project, and when so authorized by the financial agreement,
12 acquire by purchase or lease for not less than the term of the tax
13 exemption, plan, develop, construct, alter, maintain or operate
14 housing, senior citizen housing, business, industrial, commercial,
15 administrative, community, health, recreational, educational,
16 cultural, or welfare projects, or any combination of two or more of
17 these types of improvement in a single project. The conditions of
18 use, ownership, management and control of the improvements in a
19 project shall be regulated by this act and the terms of the financial
20 agreement.

21 b. The governing body of a municipality which has declared an
22 area in need of redevelopment pursuant to sections 5 and 6 of
23 P.L.1992, c.79 (C.40A:12A-5 and 40A:12A-6) may adopt an
24 ordinance permitting the municipality to enter into a financial
25 agreement with the owner of a property that qualifies as a
26 renovation housing project. The financial agreement shall include
27 those items required by the municipal ordinance authorizing
28 financial agreements for renovation housing projects and shall
29 include findings approved by the municipal governing body, setting
30 forth appropriate tax exemption provisions and an appropriate
31 schedule for an annual service charge, which for any tax year shall
32 not be less than the amount of taxes assessed against the property
33 for the tax year prior to the year in which the renovation housing
34 project is completed or in which a catastrophe affecting the value of
35 the property occurred. The duration of a tax exemption granted
36 pursuant to this section shall be for a term not to exceed 30 years
37 from the completion of the renovation housing project and shall not
38 be transferable. Whenever the exemption status of the property
39 changes during a tax year due to a sale or transfer of the property,
40 or change in any other condition imposed pursuant to the municipal
41 ordinance, such as the income of the owner, the property shall be
42 assessed and taxed at its true value and the procedure for the
43 apportionment of the taxes for the year shall be the same as in the
44 case of other changes in tax exemption status during the tax year.
45 The requirements of section 12 of P.L.1991, c.431 (C.40A:20-12),
46 as appropriate, shall be applicable to a financial agreement and
47 annual service charge pursuant to this subsection.

48 (cf: P.L.1992, c.79, s.55)

1 3. Section 3 of P.L.1994, c.87 (C.40A:20-12.1) is amended to
2 read as follows:

3 3. The provisions of section 12 of P.L.1991, c.431 (C.40A:20-
4 12) requiring staged increases in annual service charges over the
5 term of the financial agreement and establishing a minimum annual
6 service charge shall not apply to qualified subsidized housing
7 projects or renovation housing projects pursuant to subsection b. of
8 section 4 of P.L.1991, c.431 (C.40A:20-4).

9 (cf: P.L.1994, c.87, s.3)

10

11 4. This act shall take effect immediately and shall be applicable
12 to any renovation housing project completed after January 1, 2006.

13

14

15

STATEMENT

16

17 This bill would permit the owner of a residential property located
18 within an area declared in need of redevelopment, whose home has
19 been renovated or reconstructed by a charitable entity, such as
20 Habitat for Humanity International, Inc., or by a for-profit entity
21 using mainly donated labor, such as the American Broadcasting
22 Corporation's *Extreme Makeover: Home Edition* (produced by
23 Endemol USA), to obtain the advantages of a long-term tax
24 exemption for the increased value of the renovated or reconstructed
25 residence. Without a long-term tax exemption for the value of the
26 increased property value, the owners are likely to be priced out of
27 their house because they cannot afford the higher taxes assessed on
28 the now, more valuable property. Requiring these families to move
29 would defeat the purpose of reconstructing or renovating their
30 home. In lieu of paying property taxes, the property owner would
31 pay an annual service charge according to a schedule that would
32 ensure that the charge is at least equal to the amount of taxes
33 assessed on the property before the "makeover" and prior to any
34 catastrophe. Under this bill, the municipality would have a great
35 deal of freedom to impose whatever restrictions it deems
36 appropriate on long-term tax exemptions granted for these projects.
37 Long-term tax exemption granted pursuant to this bill would be
38 consistent with the public purpose behind the constitutional
39 provision allowing such exemptions for the purpose of improving
40 designated redevelopment areas.

ASSEMBLY HOUSING AND LOCAL GOVERNMENT
COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR
ASSEMBLY, No. 3334

STATE OF NEW JERSEY

DATED: JANUARY 18, 2007

The Assembly Housing and Local Government Committee reports favorably Assembly Bill No. A3334 (ACS).

This Assembly Committee Substitute would permit a municipality to declare a home as being within an area in need of rehabilitation if the home was damaged by fire and was renovated by either a charitable entity organized to perform home renovations or by a for-profit builder using 75% or more volunteer labor-hours to accomplish the construction for the project. This declaration will allow the municipality to abate from property taxation the value of the property attributable to the renovation project for a five-year period, unless the property owner sells or transfers the property.

Without a short-term tax exemption for the value of the increased property value, the owners would likely be priced out of their house due to the higher taxes assessed on the now, more valuable property. Requiring these families to move would defeat the purpose of reconstructing or renovating their home. In lieu of paying property taxes on the new value of the reconstructed or renovated property, taxes would be assessed on a lesser value, depending on the abatement or exemption amount specified in the municipal ordinance. The taxable value of the property, however, would not be less than the taxable value of the property prior to the fire.

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR ASSEMBLY, No. 3334

STATE OF NEW JERSEY

DATED: JULY 7, 2006

The Assembly Budget Committee reports favorably an Assembly Committee Substitute for Assembly Bill No. 3334.

This Assembly committee substitute would permit the owner of a residential property located within an area declared in need of redevelopment, whose home was destroyed by fire but has been renovated or reconstructed by a charitable entity, such as Habitat for Humanity International, Inc., or by a for-profit entity using mainly donated labor, such as the American Broadcasting Corporation's *Extreme Makeover: Home Edition* (produced by Endemol USA), to obtain the advantages of a short-term tax exemption for the increased value of the renovated or reconstructed residence. Without a short-term tax exemption for the value of the increased property value, the owners are likely to be priced out of their house because they cannot afford the higher taxes assessed on the now, more valuable property. Requiring these families to move would defeat the purpose of reconstructing or renovating their home. In lieu of paying property taxes on the new value of the reconstructed or renovated property, taxes would be assessed on a lesser value, depending on the abatement or exemption amount specified in the municipal ordinance. The taxable value of the property, however, would not be less than the taxable value of the property prior to the "makeover" and prior to the conflagration.

FISCAL IMPACT:

This Assembly committee substitute has no impact on State revenues or expenditures. This Assembly committee substitute was not certified as requiring a fiscal note.

SENATE, No. 2131

STATE OF NEW JERSEY 212th LEGISLATURE

INTRODUCED JULY 7, 2006

Sponsored by:
Senator RONALD L. RICE
District 28 (Essex)

SYNOPSIS

Permits long-term tax exemptions for reconstruction or renovation of houses in areas in need of redevelopment performed by charitable entities or for-profits using volunteer labor.

CURRENT VERSION OF TEXT

As introduced.



S2131 RICE

2

1 AN ACT concerning real property tax abatements for residential
2 reconstruction in areas in need of redevelopment and amending
3 P.L.1991, c.431.

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

7
8 1. Section 3 of P.L.1991, c.431 (C.40A:20-3) is amended to read
9 as follows:

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

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

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

42 "Allowable profit rate" means the greater of 12% or the
43 percentage per annum arrived at by adding 1 1/4% to the annual
44 interest percentage rate payable on the entity's initial permanent
45 mortgage financing. If the initial permanent mortgage is insured or

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.

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

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

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

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

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

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

46 e. "Project" means any work or undertaking pursuant to a
47 redevelopment plan adopted pursuant to the "Local Redevelopment
48 and Housing Law," P.L.1992, c.79 (C.40A:12A-1 et al.), which has

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1 as its purpose the redevelopment of all or any part of a
2 redevelopment area including any industrial, commercial,
3 residential or other use, and may include any buildings, land,
4 including demolition, clearance or removal of buildings from land,
5 equipment, facilities, or other real or personal properties which are
6 necessary, convenient, or desirable appurtenances, such as, but not
7 limited to, streets, sewers, utilities, parks, site preparation,
8 landscaping, and administrative, community, health, recreational,
9 educational and welfare facilities.

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

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

25 h. "Total project unit cost" or "total project cost" means the
26 aggregate of the following items as related to a unit of a project, if
27 the project is undertaken in units, or to the total project, if the
28 project is not undertaken in units, all of which as limited by, and
29 approved as part of the financial agreement: (1) cost of the land and
30 improvements to the entity, whether acquired from a private or a
31 public owner, with cost in the case of leasehold interests to be
32 computed by capitalizing the aggregate rental at a rate provided in
33 the financial agreement; (2) architect, engineer and attorney fees,
34 paid or payable by the entity in connection with the planning,
35 construction and financing of the project; (3) surveying and testing
36 charges in connection therewith; (4) actual construction costs which
37 the entity shall cause to be certified and verified to the municipality
38 and the municipal governing body by an independent and qualified
39 architect, including the cost of any preparation of the site
40 undertaken at the entity's expense; (5) insurance, interest and
41 finance costs during construction; (6) costs of obtaining initial
42 permanent financing; (7) commissions and other expenses paid or
43 payable in connection with initial leasing; (8) real estate taxes and
44 assessments during the construction period; (9) a developer's
45 overhead based on a percentage of actual construction costs, to be
46 computed at not more than the following schedule:

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5

1	\$500,000 or less -	10%
2	\$500,000 through \$1,000,000 -	\$50,000 plus 8% on
3	excess above \$500,000	
4	\$1,000,001 through \$2,000,000 -	\$90,000 plus 7% on
5	excess above \$1,000,000	
6	\$2,000,001 through \$3,500,000 -	\$160,000 plus 5.6667%
7	on excess above \$2,000,000	
8	\$3,500,001 through \$5,500,000 -	\$245,000 plus 4.25% on
9	excess above \$3,500,000	
10	\$5,500,001 through \$10,000,000 -	\$330,000 plus 3.7778%
11	on excess above \$5,500,000	
12	over \$10,000,000 -	5%

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

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

38 i. "Housing project" means any work or undertaking to provide
39 decent, safe, and sanitary dwellings for families in need of housing;
40 the undertaking may include any buildings, land (including
41 demolition, clearance or removal of buildings from land),
42 equipment, facilities, or other real or personal properties or interests
43 therein which are necessary, convenient or desirable appurtenances
44 of the undertaking, such as, but not limited to, streets, sewers,
45 water, utilities, parks; site preparation; landscaping, and
46 administrative, community, health, recreational, educational,
47 welfare, commercial, or other facilities, or to provide any part or
48 combination of the foregoing.

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6

1 j. "Redevelopment relocation housing project" means a
2 housing project which is necessary, useful or convenient for the
3 relocation of residents displaced by redevelopment of all or any part
4 of one or more redevelopment areas.

5 k. "Low and moderate income housing project" means a
6 housing project which is occupied, or is to be occupied, exclusively
7 by households whose incomes do not exceed income limitations
8 established pursuant to any State or federal housing program.

9 l. "Qualified subsidized housing project" means a low and
10 moderate income housing project owned by a nonprofit corporation
11 organized under the provisions of Title 15A of the New Jersey
12 Statutes for the purpose of developing, constructing and operating
13 rental housing for senior citizens under section 202 of Pub.L. 86-
14 372 (12 U.S.C. s.1701q) or rental housing for persons with
15 disabilities under section 811 of Pub.L. 101-625 (42 U.S.C. s.8013),
16 or under any other federal program that the Commissioner of
17 Community Affairs by rule may determine to be of a similar nature
18 and purpose.

19 m. "Debt service" means the amount required to make annual
20 payments of principal and interest or the equivalent thereof on any
21 construction mortgage, permanent mortgage or other financing
22 including returns on institutional equity financing and market rate
23 related party debt for a project for a period equal to the term of the
24 tax exemption granted by a financial agreement.

25 n. "Renovation housing project" means a housing project
26 performed for a specific person or family to renovate, reconstruct,
27 or replace their home on the same lot by a charitable entity
28 organized to perform home renovations or by a for-profit builder
29 using 75% or more volunteer labor-hours to accomplish the
30 construction for the project.

31 (cf: P.L.2003, c.125, s.7)

32

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

35 4. a. The governing body of a municipality which has adopted a
36 redevelopment plan pursuant to the "Local Redevelopment and
37 Housing Law," P.L.1992, c.79 (C.40A:12A-11 et al.) may enter into
38 a financial agreement with an urban renewal entity for the
39 undertaking of a project set forth in a redevelopment plan adopted
40 by the governing body pursuant to the "Local Redevelopment and
41 Housing Law," P.L.1992, c.79 (C.40A:12A-1 et al.) or a project
42 necessary, useful, or convenient for the relocation of residents
43 displaced or to be displaced by the redevelopment of all or any part
44 of one or more redevelopment areas, or a low and moderate income
45 housing project. The financial agreement shall include, but not be
46 limited to, those provisions set forth in sections 8, 9, 10 and 11 of
47 P.L.1991, c.431 (C.40A:20-8 through 40A:20-11), and shall be
48 subject to review and approval as required by section 8 of P.L.1991,

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1 c.431 (C.40A:20-8) prior to execution. The municipality which
2 enters into the agreement shall retain all necessary authority and
3 control for the redevelopment of the redevelopment area set forth in
4 the plan, and the undertaking of a project by an urban renewal
5 entity pursuant to that plan and P.L.1991, c.431 (C.40A:20-1 et
6 seq.) shall be deemed a delegation of the powers of the municipality
7 to undertake the project, which delegation shall be limited by the
8 terms of the agreement and the provisions of P.L.1991, c.431
9 (C.40A:20-1 et seq.).

10 An urban renewal entity pursuant to an agreement may undertake
11 a project, and when so authorized by the financial agreement,
12 acquire by purchase or lease for not less than the term of the tax
13 exemption, plan, develop, construct, alter, maintain or operate
14 housing, senior citizen housing, business, industrial, commercial,
15 administrative, community, health, recreational, educational,
16 cultural, or welfare projects, or any combination of two or more of
17 these types of improvement in a single project. The conditions of
18 use, ownership, management and control of the improvements in a
19 project shall be regulated by this act and the terms of the financial
20 agreement.

21 b. The governing body of a municipality which has declared an
22 area in need of redevelopment pursuant to sections 5 and 6 of
23 P.L.1992, c.79 (C.40A:12A-5 and 40A:12A-6) may adopt an
24 ordinance permitting the municipality to enter into a financial
25 agreement with the owner of a property that qualifies as a
26 renovation housing project. The financial agreement shall include
27 those items required by the municipal ordinance authorizing
28 financial agreements for renovation housing projects and shall
29 include findings approved by the municipal governing body, setting
30 forth appropriate tax exemption provisions and an appropriate
31 schedule for an annual service charge, which for any tax year shall
32 not be less than the amount of taxes assessed against the property
33 for the tax year prior to the year in which the renovation housing
34 project is completed or in which a catastrophe affecting the value of
35 the property occurred. The duration of a tax exemption granted
36 pursuant to this section shall be for a term not to exceed 30 years
37 from the completion of the renovation housing project and shall not
38 be transferable. Whenever the exemption status of the property
39 changes during a tax year due to a sale or transfer of the property,
40 or change in any other condition imposed pursuant to the municipal
41 ordinance, such as the income of the owner, the property shall be
42 assessed and taxed at its true value and the procedure for the
43 apportionment of the taxes for the year shall be the same as in the
44 case of other changes in tax exemption status during the tax year.
45 The requirements of section 12 of P.L.1991, c.431 (C.40A:20-12),
46 as appropriate, shall be applicable to a financial agreement and
47 annual service charge pursuant to this subsection.

48 (cf: P.L.1992, c.79, s.55)

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8

1 3. Section 3 of P.L.1994, c.87 (C.40A:20-12.1) is amended to
2 read as follows:

3 3. The provisions of section 12 of P.L.1991, c.431 (C.40A:20-
4 12) requiring staged increases in annual service charges over the
5 term of the financial agreement and establishing a minimum annual
6 service charge shall not apply to qualified subsidized housing
7 projects or renovation housing projects pursuant to subsection b. of
8 section 4 of P.L.1991, c.431 (C.40A:20-4).

9 (cf: P.L.1994, c.87, s.3)

10

11 4. This act shall take effect immediately and shall be applicable
12 to any renovation housing project completed after January 1, 2006.

13

14

15

STATEMENT

16

17 This bill would permit the owner of a residential property located
18 within an area declared in need of redevelopment, whose home has
19 been renovated or reconstructed by a charitable entity, such as
20 Habitat for Humanity International, Inc., or by a for-profit entity
21 using mainly donated labor, such as the American Broadcasting
22 Corporation's *Extreme Makeover: Home Edition* (produced by
23 Endemol USA), to obtain the advantages of a long-term tax
24 exemption for the increased value of the renovated or reconstructed
25 residence. Without a long-term tax exemption for the value of the
26 increased property value, the owners are likely to be priced out of
27 their house because they cannot afford the higher taxes assessed on
28 the now, more valuable property. Requiring these families to move
29 would defeat the purpose of reconstructing or renovating their
30 home. In lieu of paying property taxes, the property owner would
31 pay an annual service charge according to a schedule that would
32 ensure that the charge is at least equal to the amount of taxes
33 assessed on the property before the "makeover" and prior to any
34 catastrophe. Under this bill, the municipality would have a great
35 deal of freedom to impose whatever restrictions it deems
36 appropriate on long-term tax exemptions granted for these projects.
37 Long-term tax exemption granted pursuant to this bill would be
38 consistent with the public purpose behind the constitutional
39 provision allowing such exemptions for the purpose of improving
40 designated redevelopment areas.

SENATE COMMUNITY AND URBAN AFFAIRS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR **SENATE, No. 2131**

STATE OF NEW JERSEY

DATED: OCTOBER 16, 2006

The Senate Community and Urban Affairs Committee reports favorably a Senate Committee Substitute for Senate Bill No. 2131.

This Senate Committee Substitute would permit a municipality to declare a home as being within an area in need of rehabilitation if the home was damaged by fire and was renovated by either a charitable entity organized to perform home renovations or by a for-profit builder using 75% or more volunteer labor-hours to accomplish the construction for the project. This declaration will allow the municipality to abate from property taxation the value of the property attributable to the renovation project for a five-year period, unless the property owner sells or transfers the property.

Without a short-term tax exemption for the value of the increased property value, the owners would likely be priced out of their house due to the higher taxes assessed on the now, more valuable property. Requiring these families to move would defeat the purpose of reconstructing or renovating their home. In lieu of paying property taxes on the new value of the reconstructed or renovated property, taxes would be assessed on a lesser value, depending on the abatement or exemption amount specified in the municipal ordinance. The taxable value of the property, however, would not be less than the taxable value of the property prior to the "makeover" and prior to the conflagration.

May-06-07 Acting Governor Signs Legislation Expanding Neighborhood Revitalization Tax Credit Program

FOR IMMEDIATE RELEASE:
May 6, 2007

FOR MORE INFORMATION:
Press Office - 609-777-2600

ACTING GOVERNOR SIGNS LEGISLATION EXPANDING NEIGHBORHOOD REVITALIZATION TAX CREDIT PROGRAM

Also signs bills providing short-term tax exemptions for homes renovated by charitable entities

TRENTON – Acting Governor Richard J. Codey today signed legislation expanding the Neighborhood Revitalization Tax Credit (NRTC) program. He also signed two bills, A-3768/S-2419 and A-3334/S-2131, authorizing short-term tax exemptions for families whose homes are modified by charitable entities.

“Revitalizing our communities needs to be a team effort, and we should be doing everything we can to encourage the private sector to invest in these areas,” Acting Governor Codey said. “This legislation will jumpstart the NRTC program and lead to an influx of much needed private money into neighborhoods that are in need of economic opportunity.”

The NRTC program was designed to provide tax incentives for businesses to invest in revitalization projects in low- and moderate-income neighborhoods. The program currently provides a tax credit to a participating corporation equivalent to 50% of the assistance that corporation provides to a non-profit organization to implement a neighborhood revitalization project; this legislation increases that to 100% of the assistance provided. The legislation also raises the dollar limit of the tax credit from \$500,000 to \$1 million.

“In many of our State’s urban communities, we need to attract private interest to make redevelopment a reality,” said Senator Doria (D-Hudson), a Senate sponsor. “By expanding New Jersey’s ‘Neighborhood Revitalization State Tax Credit,’ we can give our poorer municipalities the tools to develop necessary public-private partnerships. We need to do everything in our power to attract private investment in our State’s urban redevelopment projects.”

S-2095/A3789 was sponsored in the Assembly by Assemblymembers Watson Coleman (D-Mercer) and Vainieri Huttle (D-Bergen).

A-3768/S-2419 and A-3334/S-2131 permit municipalities to create tax exemptions for up to five years for houses that have been renovated or reconstructed by charitable entities or by for-profit entities using exclusively volunteer labor. Both bills allow municipalities to assess taxes on the value of the property before the reconstruction or renovation, not the increased value resulting from the reconstruction or renovation.

A-3768/S-2419 permits exemptions for renovations and improvements carried out to accommodate totally disabled persons, and A-3334/S-2131 permits exemptions for houses which are re-built or renovated after being destroyed by fire.

"Families that have been blessed by the good works of friends and neighbors should not see those blessings turned into a burden," Acting Governor Codey said. "Whether a family is rebuilding after a fire or accommodating the needs of a disabled loved one, this bill will ensure they can receive assistance without having to worry about receiving an unaffordable tax bill the next day."

"Whenever a charity steps in to help a family that's lost it all due to fire, government should do everything it can to help," said Senator Rice, (D-Essex), who sponsored A-3334/S-2131 in the Senate. "However, in many instances, government officials' hands are tied, and major charitable renovations often come with unforeseen tax hikes. This new law ensures that the spirit of charity is not lost when these sort of projects take place."

"When groups like the television show "Extreme Makeover: Home Edition" come in and make millions of dollars of renovations, homeowners receive wonderful home improvements, as well as a sky-high property tax bill," said Senator Weinberg, (D-Bergen), who sponsored A-3768/S-2419 in the Senate. "This legislation will allow them to live in and enjoy their newly renovated home, without the undue burden of not being able to cover the cost of increased property taxes."

"This legislation will allow a family faced with unfortunate circumstances to remain comfortably in their home, which is a cornerstone of the American dream," said Assemblyman Gordon M. Johnson (D-Bergen), an Assembly sponsor of A-3768/S-2419. "It would be unfair for them to be made to pay taxes at a higher rate at this time because of the generosity of Extreme Home Makeover. I appreciate the Acting Governor signing this bill, which will improve the quality of life for this family, for the city of Bergenfield and for the state."

"When volunteer and non-profit organizations help needy owners renovate a home so they can enjoy a productive lifestyle, their good work should be promoted and praised, not taxed," said Assemblywoman Valerie Vainieri Huttle (D-Bergen), an Assembly sponsor of A-3768/S-2419.

"Today, we are encouraging continued public and private investment in New Jersey communities by removing roadblocks from the path of organizations looking to help rebuild our neighborhoods," said Assemblyman Craig A. Stanley (D-Essex), who sponsored A-3334/S-2131. "And we are ensuring beneficiaries of charitable home improvement aid are able to reap the benefits without having to worry about the financial repercussions."

"This measure goes a long way toward protecting owners of renovated homes, like Beverly Turner, who may otherwise be forced to move due to a significantly higher property tax bill," said Assemblywoman Oadline D. Truitt (D-Essex), who also sponsored A-3334/S-2131. "It is a common-sense solution that helps the incredible families who make our communities better places to live."