

Pinelands Development Credit Program Enhancements

Update: Policy & Implementation
Committee

2/26/16

Current PDC Program

- Municipalities individually set PDC requirements by zone
 - 100 zones in 24 RGAs
 - densities from 1 du/acre to 6 dus/acre
- In most cases:
 - Base density, with PDCs as an optional bonus
 - PDC use begins at a threshold of around 66% of the zone density
 - Projects have generally been approved at around 60% of zone density
- Result: insufficient PDC usage to accommodate all PDC supply

Solution: Residential “Sliding Scale”

| Project Density (du/ac) | Units Requiring PDCs (mandatory) |
|-------------------------|----------------------------------|
| 0.00 – 0.99 | 60% |
| 1.00 – 1.49 | 55% |
| 1.50 – 1.99 | 50% |
| 2.00 – 2.49 | 45% |
| 2.50 - 2.99 | 40% |
| 3.00 - 3.49 | 35% |
| 3.50 - 3.99 | 30% |
| 4.00 - 4.49 | 25% |
| 4.50 - 4.99 | 20% |
| 5.00 - 5.49 | 15% |
| 5.50 - 5.99 | 10% |
| Above 6.00 | 5% |

How the Sliding Scale Works

- Current Rules

- zone permits 2 units/acre base density (w/o PDCs) and a maximum of 3 unit/acre with PDCs
 - Project built at 2 units/acre = **0% PDCs**
 - Project at full zone density (3 units/acre) = **33% PDCs**

- Proposed

- zone permits 3 units per acre; % PDCs depends upon **project** density
 - Project Built at 2 units/acre = **45% PDCs**
 - Project at full zone density (3 units/acre) = **35% PDCs**

Cost per Unit

(when the cost is spread over all units)

- Examples

- For projects at 3 units/acre @35% PDCs

- @\$10,000/right = \$3,500/unit

- @\$20,000/right = \$7,000/unit

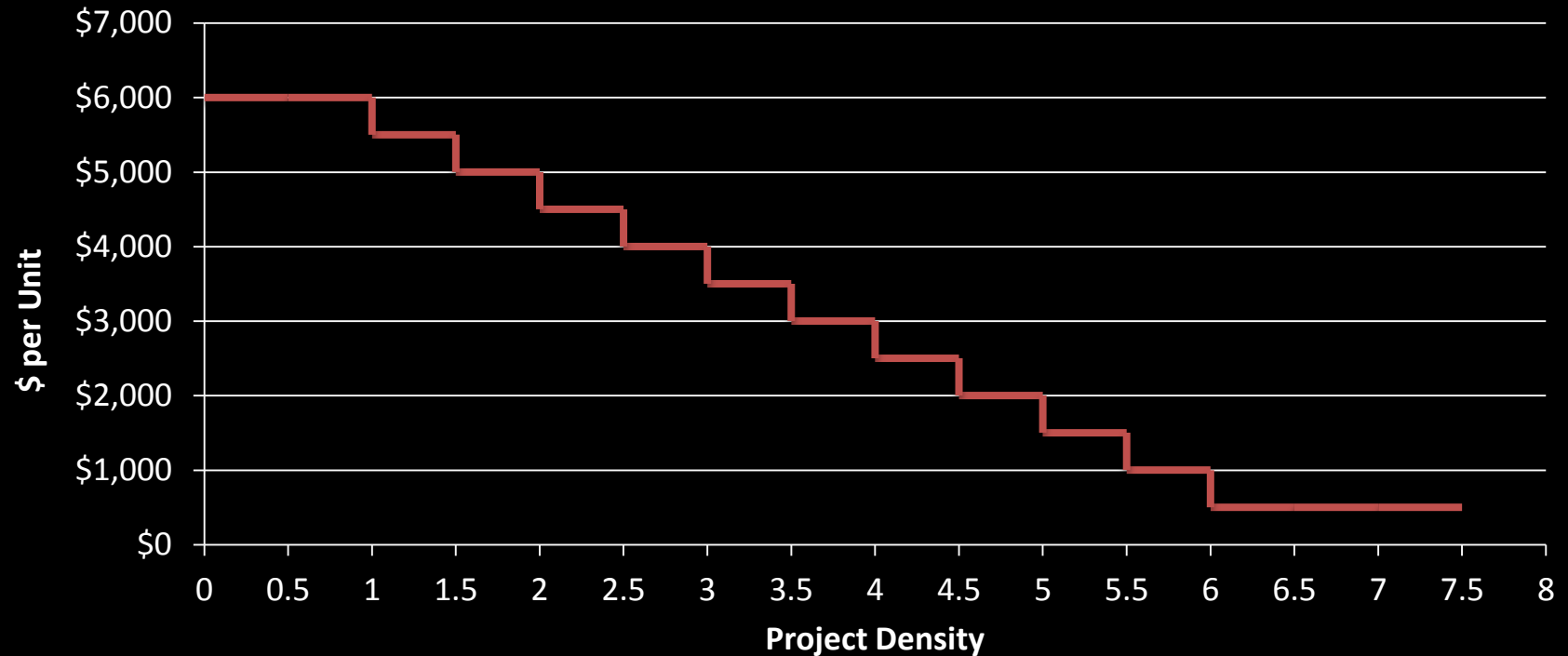
- For projects at 6 units/acre @5% PDCs

- @\$10,000/right = \$500/unit

- @\$20,000/right = \$1,000/unit

PDC Cost per Unit

\$10,000 per Right



10 Acre Example

\$10,000 per Right

| Project Density* | 1 | 2 | 3 | 4 | 5 | 6 |
|----------------------------|----------|----------|----------|----------|----------|----------|
| Units | 10 | 20 | 30 | 40 | 50 | 60 |
| Required PDC % | 55% | 45% | 35% | 25% | 15% | 5% |
| Rights Required | 6 | 9 | 11 | 10 | 8 | 3 |
| Cost/unit @ \$10,000/right | \$6,000 | \$4,500 | \$3,667 | \$2,500 | \$1,600 | \$500 |

*Zoning only sets the maximum number of units; developer chooses the project density.

PDC Cost as % of Building Cost

Large unit/Low Density vs. Small unit/High Density
at \$20,000 per Right

| | Low Density (0.5 du/ac) | High Density (6.0 du/ac) |
|---|-------------------------|--------------------------|
| Unit Size | 3,000 sq. ft. | 1,000 sq. ft. |
| Lot Size | 2 acres | 7,000 sq. ft. |
| PDC Sliding Scale Rate | 60% | 5% |
| PDC Cost per Unit | \$12,000 | \$1,000 |
| Building Cost per Unit | \$360,000 | \$120,000 |
| PDC Cost as a % of Building Cost | 3.3% | 0.8% |

Benefits of the 2009 proposal

1. Greater and more predictable PDC use.

2. Highest PDC % is applied to the lower density projects that can afford them.

3. Conflicts between PDC and affordable housing requirements are significantly reduced (lowest PDC % is applied to the higher density projects where affordable housing is most often proposed).

Benefits of the 2009 proposal (cont.)

4. PDCs are not required for affordable units.

5. The cap on residential density in RGAs is eliminated. Towns can more easily rezone for higher density projects, such as:

- **Affordable housing**
- **Redevelopment**
- **Mixed use**

6. Rules are less complicated and easier to administer.

“Concerns” with the 2009 Proposal

1. Builders: difficult to achieve full zone density, especially important with mandatory PDC use
2. Municipalities: fearful of competitive disadvantage if PDC use is mandated for commercial uses; % too burdensome for some residential projects
3. PDC Holders: fearful of lower PDC market price if PDCs are allocated to the Forest Area
4. Environmental Groups: none - they endorse the proposals if PDC use is sufficiently enhanced

Changes Proposed To Meet Concerns

| | Towns | Builders | PDC Holders | Environ. Groups |
|--|-------|----------|-------------|-----------------|
| 1. Increase on-site development flexibility to meet density (housing types, bulk standards) | | X | | |
| 2. Eliminate PDC requirements for commercial uses | X | X | | |
| 3. Reduce maximum PDC % from 60% to 50% | X | X | | |

Changes Proposed To Meet Concerns (cont.)

| | Munies. | Builders | PDC Holders | Environ. Groups |
|--|---------|----------|-------------|-----------------|
| 4. Reduce rounding up on small projects. | X | X | | |
| 5. No new PDC allocations to the Forest Area. | | | X | |
| 6. Ensure that old/expired approvals are subject to the new PDC requirements. | | | X | X |