PUBLIC NOTICE

ENVIRONMENTAL PROTECTION

GREEN ACRES PROGRAM

Notice of Action on Petition for Rulemaking

Green Acres Rules

N.J.A.C. 7:36-25.13

Petitioner: Daniel A. Greenhouse, Esq.

Take notice that the Department of Environmental Protection (Department), has determined to deny the petition for rulemaking filed by Daniel A. Greenhouse (petitioner) to amend the Green Acres rules at N.J.A.C. 7:36-25.13, Leases, use agreements, or concession agreements for recreation and conservation purposes on funded or unfunded parkland, as described below. The Department received the petition on June 28, 2022 and published notice of receipt of the petition in the August 15 2022, New Jersey Register (54 N.J.R. 1647(a)).

The Petition

N.J.A.C. 7:36-25.13 concerns the Department's approval of lease or use agreements on funded and unfunded parkland owned by a local government unit or nonprofit. The petitioner requests the addition of language creating a formal process that includes notification to the public when it is reviewing such a lease or use agreement. Analogizing to permitting decisions, the petitioner argues that the current rules violate the Administrative Procedure Act (Act or APA) since

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he alleges that the Department's decision whether to approve a lease or use agreement is a "permit decision," as defined by the Act at N.J.S.A. 52:14B-3.2. It is the petitioner's position that the Department must provide public notice and a comment period during the Green Acres review of proposed lease or use agreements in the same way that the Department provides these procedures for permit decisions by the Division of Land Resource Protection. Citing litigation involving a Green Acres encumbered property adjacent to property the petitioner owns, the petitioner argues that the rule changes he suggests are necessary for him to participate in the lease approval process for the adjacent property. The petitioner argues that he, and every member of the public, should be afforded the right to know of every proposed lease or use agreement to satisfy the Act's requirements. Further, the petitioner states that the process he suggests is necessary for the timely notice and appeal of the Department's decision on whether to approve a lease or use agreement, and that the proposed amendments are authorized by the New Jersey Constitution and the Garden State Preservation Trust Act. The petitioner requests that the following regulations that he modeled on the Department's existing Freshwater Wetlands Protection Act (FWPA) and Coastal Zone Management (CZM) rules be added to the Green Acres Program rules at N.J.A.C. 7:36-25.13(h) through (m):

- (h) Within 90 calendar days after the Department receives a complete application for the Department's approval of a proposed lease or use agreement on funded or unfunded parkland, the Department shall:
- 1. Determine that the application meets the requirements of this chapter and issue an authorization in writing. The decision authorizing the application shall include a statement of items comprising the full administrative record supporting the decision.

The authorization shall include any conditions necessary to ensure compliance with this chapter; or

- 2. Determine that the application does not meet the requirements of this chapter and deny the application in writing. The decision denying the application shall include the reasons for the denial.
- (i) The 90-calendar day deadline set forth in (h) above may be extended for 30 calendar days by mutual agreement between the applicant and the Department. An applicant consenting to an extension shall do so in writing. The deadline shall not be extended by less than or greater than 30 calendar days.
- (j) If the Department does not make a decision to approve or deny an application for a proposed lease or use agreement on funded or unfunded parkland by the applicable time period set forth in (h) above, the person shall not be entitled to assume that the application is approved.
- (k) Within 15 calendar days after the date that the Department declares an application complete for the Department's review, the Department shall schedule a public comment period on the application, and shall so notify the applicant.
- 1. The public comment period shall begin no later than 60 calendar days after the date that the Department declares the application complete for public comment.
- 2. The Department shall accept written comments for 30 calendar days.
- 3. The Department shall publish notice of the comment period in the DEP Bulletin.
- 4. The applicant shall provide notice of the public comment period as follows:
 - i. The municipal clerk in each municipality in which the project is located;

- ii. The environmental commission, or other government agency with similar responsibilities, of each municipality in which the project is located;
- iii. The planning board of each municipality in which the project is located; and
- iv. All owners of real property, including easements, located within 1000 feet of the property boundary of the site in the manner set forth in the Municipal Land Use Law at N.J.S.A. 40:55D-12.b. The owners of real property, including easements, shall be those on a list that was certified by the municipality. The date of certification of the list shall be no earlier than one year prior to the date the application is submitted to the Department.
- (l) If the Department issues an approval or denies a proposed lease or use agreement of funded or unfunded parkland, the Department shall send written notice thereof to the applicant.
- (m) Final Decisions by the Department shall be published in the DEP Bulletin.

Background

The Green Acres Program was created in 1961 to meet New Jersey's growing recreation and conservation needs. The Department promulgated the Green Acres Program rules to implement the Green Acres laws, including multiple Green Acres Bond Acts adopted by referendum starting in 1961, the Green Acres implementing statutes at N.J.S.A. 13:8A-1 to 56, and the Garden State Preservation Trust Act (Trust Act), N.J.S.A. 13:8C-1 to 42, as amended and supplemented by the Preserve New Jersey Act, N.J.S.A. 13:8C-43 to 57. Together with local government and nonprofit

partners, the Green Acres Program has directly protected 650,000 acres of open space and provided hundreds of outdoor recreational facilities in communities around the State.

In the Trust Act, the Legislature directed that a local government unit or a qualifying tax exempt nonprofit organization using Green Acres funding "shall not convey, dispose of, or divert to a use for other than recreation and conservation purposes" any lands acquired with Green Acres funding (also known as "funded parkland"), or lands held by a local government unit for recreation and conservation purposes at the time of receipt of Green Acres funding (also known as "unfunded parkland"), without the approval of the Commissioner and the State House Commission (SHC), and following a public hearing held by the local government unit. N.J.S.A. 13:8C-32a, 32b(1). Approval of the Commissioner and the SHC requires the local government unit or qualifying tax-exempt nonprofit organization to agree to replace the diverted land with land of equal or greater fair market value and of reasonably equivalent size, quality, location, and usefulness for recreation and conservation purposes. N.J.S.A. 13:8C-32a; N.J.A.C. 7:36-26.10(d) to 26.10(j). Alternatively, if replacement land is not available, the entity seeking approval must provide compensation equal to or greater than the fair market value into the Garden State Green Acres Preservation Trust Fund. N.J.S.A. 13:8C-32b(1); N.J.A.C. 7:36-26.5(a), 26.10(e), (f) and (g) at Table 1.

The Trust Act sets forth the duties and responsibilities of the Green Acres Program in N.J.S.A. 13:8C-24. Specifically, it authorizes Green Acres to establish "application requirements and a fee schedule for the review by the department of applications to convey, dispose of, or divert to a use other than recreation and conservation purposes lands acquired or developed by a local government unit or a qualifying tax exempt nonprofit organization for recreation and conservation purposes using funds from any Green Acres bond act, constitutionally dedicated moneys pursuant

to P.L.1999, c.152 (C.13:8C-1 et al.), constitutionally dedicated CBT (corporate business tax) moneys pursuant to P.L.2016, c.12 (C.13:8C-43 et seq.), or lands held by the local government unit for recreation and conservation purposes at the time of receipt of such funds." N.J.S.A. 13:8C-24b(3)(c).

As indicated at N.J.A.C. 7:36-1.1(a), the Green Acres rules are intended to ensure that both funded and unfunded parkland remain permanently in use for recreation and conservation purposes. One of the ways the Department has traditionally monitored compliance on Green Acres encumbered properties has been through requiring the parkland owner to submit any proposed leases or use agreements to the Department for review. The primary purposes of this review are to ensure that (1) the proposed use (under the lease or use agreement) does not constitute a diversion of parkland and (2) the operation of the parkland under the proposed lease or use agreement does not interfere with reasonable public access to the Green Acres encumbered parkland. (*See* 37 N.J.R. 2364(a), 2384; July 5, 2005; 38 N.J.R. 155(a), 191 (January 3, 2006).

Unlike diversions and disposals of parkland, the Legislature has not imposed conditions or public hearing requirements for the Department's approval of a parkland lease or use agreement. The Legislature references a lease of Green Acres encumbered parkland in the context of distinguishing a lease from a conveyance. (*See* N.J.S.A. 13:8C-3, which defines the term "conveyance" as "to sell, donate, exchange, transfer, or lease for a term of 25 years or more.").

The Green Acres Program rules governing leases and use agreements for recreation and conservation purposes are found in N.J.A.C. 7:36-25.13. For initial lease terms, the Department sets a cap of five years but will consider a term longer than five years with a demonstration of "good cause shown," such as proposed construction of capital improvements by the lessee.

N.J.A.C. 7:36-25.13(b)4i. However, the Department deems an initial lease term of twenty-five years or more as a "conveyance of parkland," which requires approval from both the Department and the State House Commission. N.J.A.C. 7:36-25.13(b)4ii. The Department also limits lease renewals to five years, with the opportunity for a longer renewal term with good cause shown, but not to equal or exceed twenty-five years unless such term is approved by the Department and State House Commission as a conveyance of parkland. N.J.A.C. 7:36-25.13(b)5. Additional rules in N.J.A.C. 7:36-25.14 govern short-term leases or use agreements on funded or unfunded parkland for public purposes other than recreation and conservation.

For leases and use agreements on funded parkland, the Green Acres rules require submission of the lease or use agreement to the Department for review and approval at least 45 days before the intended execution date. N.J.A.C. 7:36-25.13(a). For leases and use agreements on unfunded parkland, the lease or use agreement does not require preapproval, but must comply with the provisions of N.J.A.C. 7:36-25.13(b) to 25.13(e). While the local government unit has the option of submitting a lease or use agreement on unfunded parkland for Department approval, if it does not elect to seek Department approval, it must provide a copy of the lease or use agreement to the Department upon request. N.J.A.C. 7:36-25.13(g). The Department also reviews leases or use agreements on funded and unfunded parkland for purposes other than recreation and conservation pursuant to N.J.A.C. 7:36-25.14.

The provisions in N.J.A.C. 7:36-25.13(b), to 25.13(f) set forth the criteria for Department approval of parkland leases and use agreements. When reviewing a lease, the Department determines whether it is for recreation and conservation purposes (as defined by N.J.A.C. 7:36-2.1), evaluates the length of the lease, and verifies that the public will have reasonable access to

the funded parkland during the lease or agreement. 37 N.J.R. 2364(a), 2384 (July 5, 2005); 38 N.J.R. 155(a), 191 (January 3, 2006). Leases and use agreements for funded parkland that do not have requisite Department approval or fail to comply with the Green Acres Program rules are deemed "void and of no effect." N.J.A.C. 7:36-25.13(a). Leases and use agreements on unfunded parkland that do not comply with the Green Acres Program rules are also considered void. N.J.A.C. 7:36-25.13(g).

The Department requires that the proposed lease specify that: 1) the lessee must pay the consideration to the local government unit or nonprofit (lessor): and 2) the lessor must use any consideration it received under the lease for operating, maintenance, or capital expenses related to its funded parkland or to its recreation program as a whole. N.J.A.C. 7:36-25.13(b)7, 25.13(e). The Department also reviews the lease to determine whether the use of the parkland under the proposed lease will have "an adverse impact on the natural resource values of the parkland" and, if so, the Department must be satisfied with the mitigation, restoration, and commitment of the lessee as provided by the compensatory mitigation plan N.J.A.C. 7:36-25.13(c).

During its review, the Department provides comments, and, where appropriate, proposes standard language that meets the rule requirements in N.J.A.C. 7:26-13. However, unlike a lease on State-owned land, in which the State drafts the lease and is a necessary party to the lease, the Department does not draft the lease for Green Acres encumbered parkland owned by a local government unit or nonprofit, nor is it a party to the lease. Also, unlike disposals or diversions of parkland, which involve conveyances of parkland property for other than recreation and conservation purposes, a lease does not alter the Green Acres restrictions of the parkland for

recreation and conservation purposes.

In an effort to increase transparency, the Department recently began posting notices online when it receives a lease for review under N.J.A.C. 7:36-25.13 or 25.14. This initiative was prompted, in part, by a March 2022 meeting between the Department and a group of nonprofit organizations represented by the petitioner in his role as Senior Staff Attorney at the Eastern Environmental Law Center. One of the topics discussed at the meeting was whether the Department could provide public notice and comment opportunities as part of its lease review process. In response to this discussion, the Department's Office of Transactions and Public Land Administration (OTPLA), in June 2022, voluntarily designed and implemented a new procedure to increase public notice through the electronic posting of specific information on its website for each local parkland lease it receives for review. (*See* the OTPLA website at https://dep.nj.gov/otpla/public-notices/.) When it receives a lease for review, the Department posts the following information for each lease: 1) Park Owner, 2) Park Name/Location, 3) Proposed Lessees/Lease Premises, 4) Purpose of Leases, 5) Proposed Lease Term, 6) Proposed Compensation, and 7) Contact Information for Local Unit or Nonprofit.

These online notices inform the public that a draft lease is under review. The Department does not post the draft leases since they are often considered by the parkland owners to be deliberative, and are subject to revision based on the Department's comments. The OTPLA website will notify the public of the appropriate local government or nonprofit contact, thus providing a way for the public to direct comments and questions to the parkland owner. The parkland owner will be a party to the lease, is actively involved in drafting the lease, and is in the best position to craft language in the lease. A concerned citizen may contact the parkland owner

to obtain more information about the proposed lease or use agreement (and a copy of the proposed lease or use agreement if the parkland owner wishes to release it). Once notice of a lease or use agreement review is posted, members of the public who are not comfortable contacting the parkland owner may still contact the OTPLA compliance officer assigned to the County in which the parkland is located. (*See* the OTPLA website at https://dep.nj.gov/otpla/contact-us/#county-assignments). To the extent a lease or use agreement is executed by a local government unit, a concerned citizen may also have an opportunity to participate in any applicable local public processes.

The Department reviews and approves, but is not a signatory to, these leases and use agreements. Once the parties execute an approved lease or use agreement, the Department will post a copy of the approved executed lease or use agreement on the OTPLA website. For leases and use agreements submitted for review that the Department does not approve, the Department will provide an indication of this fact and will not post any version of the lease or use agreement on the OTPLA website.

The Department is currently in the process of identifying stakeholders and soliciting stakeholder input on the existing Green Acres rules, including the lease review process, and expects to begin the formal stakeholder process in the Fall of 2022. After the stakeholder process, the Department anticipates initiating rulemaking to propose changes to update and improve the rules. The changes under consideration, and to be evaluated during the stakeholder process, are diverse. They are likely to include, but are not limited to, changes to implement statutory requirements imposed since the rules were last readopted, including changes to reflect the provisions of the Preserve New Jersey Act, N.J.S.A. 13:8C-43 to 57 (which introduced a

stewardship grant program and codified the allowance of community gardens on Green Acres encumbered property), and Jake's Law, P.L. 2018, c. 104 (which establishes a funding priority for inclusive playgrounds). The Department also intends to implement the penalty authority granted to it under the 2019 Amendments to the Preserve New Jersey Act, at N.J.S.A. 13:8C-53.1, <u>L.</u> 2019, c. 136, § 11.

The Department's Response to the Petition

After careful consideration, the Department has determined to deny the petitioner's request. While the Department does not agree with the suggested changes, it appreciates the petitioner's focus on public participation and transparency in the process for approving leases and use agreements on Green Acres encumbered parkland. However, the Department is not legally required to hold public hearings on parkland leases in accordance with the Green Acres implementing statutes, the Garden State Preservation Trust Act, the Preserve New Jersey Act, or the APA. Furthermore, given the broad scope of the process changes suggested by the petitioner, and the corresponding impact on both Department staff and local government units and nonprofits who own Green Acres encumbered parkland, these changes would benefit from consideration as part of the larger rulemaking process contemplated by the Department with respect to the Green Acres rules. Through the rulemaking process, including the stakeholder process to precede formal rulemaking, the Department will be able to obtain input and ideas on a variety of potential ways to address the issues of concern to the petitioner, determine the method that it believes will best achieve the intended goals, and then provide a further opportunity for

public input on the chosen alternative as part of the comment period on the amendments ultimately proposed. Therefore, while the Department is denying the petition and the specific language suggested by the petitioner for the reasons below, the Department commits to further discussion of more robust public notice and comment opportunities as part of the stakeholder engagement process, attendant to the anticipated rulemaking discussed above.

In proposing formalized notice and comment rule language, the petitioner mischaracterizes the nature of the Department's lease approval function as being akin to a "permit decision" under the APA. From this premise, petitioner then argues that any lease approval by the Department triggers public notice and comment requirements. Ultimately, the petitioner's broad assertion that he and every member of the public is required to be afforded notice and comment opportunities on a proposed lease or use agreement on Green Acres encumbered parkland is not consistent with the Green Acres statutes, the APA and case law.

Taking these issues in turn, the APA defines the term "permit decision" as "a decision by a State agency to grant, deny, modify, suspend or revoke any agency license, permit, certificate, approval, chapter, registration or other form of permission required by law, other than a license or certificate issued to an individual for the practice of a profession or occupation." N.J.S.A. 52:14B-3.2. For all Green Acres encumbered properties, the Department holds an enforceable statutory encumbrance (through N.J.S.A. 13:8C-32a through b and other parallel language in the Green Acres bond acts and statutes) and a contractual restriction (through its Green Acres funding contracts), limiting use of the properties to "recreation and conservation purposes," as defined by N.J.A.C. 7:36-2.1. As a substantive matter, the Department's review and approval of a lease does not change the underlying covenant that the parkland to be leased remains restricted

for recreation and conservation purposes and does not constitute permission for the property owner to do anything on the property it was not already entitled to do. Rather, the purpose of the Department's lease review and approval process is to ensure and confirm that the use of the land is consistent with the Green Acres restrictions that already apply to the land.

The Department disagrees with the petitioner's attempt to analogize its lease approvals under the Green Acres rules to permit decisions under the FWPA Rules, N.J.A.C. 7:7A, or the CZM Rules, N.J.A.C. 7:7. Unlike in the FWPA Rules and CZM Rules, the Legislature has not imposed or specifically allowed for public notice and comment procedures during the Department's review and approval of leases or use agreements for Green Acres encumbered parkland. In the enabling legislation of both the FWPA and CZM rules, the Legislature explicitly references some form of public notice and public comment process. (*See* N.J.S.A. 13:98-5b, and 9 (FWPA); N.J.S.A. 13:19-9 (Coastal Area Facility Review Act)).

As noted above, the Green Acres statutes are silent on the subject of lease reviews. In promulgating the rules authorized by N.J.S.A. 13:8C-24b(3)(a) through (c), the Green Acres Program determined that the power to review leases and use agreements for Green Acres encumbered parkland was needed to ensure those agreements were consistent with the Green Acres funding restrictions. Although the Green Acres statutes require public hearings and approvals by the Department and State House Commission before the permanent removal of Green Acres restrictions (through disposals or diversions of parkland), N.J.S.A. 13:8C-32a through b, they do not require them for leases of parkland for recreation and conservation purposes.

The Green Acres Program rules reflect the Department's policy decision not to impose

formal comment and public hearing requirements on leases of encumbered parkland that do not result in a conveyance of parkland, and are consistent with the definition of "recreation and conservation purposes" in N.J.A.C. 7:36-2.1. The ability to lease a property is an inherent attribute of property ownership, and is not prohibited by the Green Acres statutes or funding contracts. In the absence of such a prohibition, municipalities and counties have the ability under the Local Lands and Buildings Law, N.J.S.A. 40A:12-1 to 38, and nonprofits have the ability under their own governance documents, to engage outside parties and help to operate their parkland.

When the statutes and regulations do not indicate whether a hearing or a written submission is expressly required during the Department's review of a matter, the APA applies. N.J.S.A. 52:14B-3.1(a). In re Jstar v. N.J. Dep't of Envtl. Protection-Land Use Regulation Program, No. A-4483-17T2, 2020 N.J. Super. Unpub. LEXIS 764, *18-19 (App. Div. April 27, 2020) (citing In re Issuance of Access Conforming Lot Permit No. A-17-N-N040-2007, 417 N.J. Super. 115, 127 (App. Div. 2010) (noting that the APA governs when a statute has no provisions as to procedures an administrative agency must follow)). While the APA requires that "all interested persons are afforded reasonable opportunity to submit data, views or arguments, orally or in writing during any proceedings involving a permit decision", N.J.S.A. 52:14B-3.1(a), the APA does not have any equivalent requirements applicable to lease agreements. Therefore, it is not necessary to determine whether petitioner and members of the public are "interested persons" under the APA for purposes of Green Acres review of leases and use agreements on parkland.

Fundamentally, the burden lies with the parkland owner to notify neighboring property

owners of contemplated actions that might adversely affect those owners' use of their property. If a municipality or county is the parkland owner, such obligations arise from the Local Lands and Buildings Law, N.J.S.A. 40A:12-1 to 38, the Open Public Meetings Act, N.J.S.A. 10:4-6 through 21 and other statutes pertaining to local government operations in New Jersey. If the parkland owner is a nonprofit, such obligations arise out of common law nuisance principles. However, a parkland owner's decision to lease out parkland to another entity to undertake activities that constitute "recreation and conservation purposes" (that is, activities that are consistent with the Green Acres restrictions and that it could undertake itself if it chose to) should not lead to the Department having to conduct a full public notice, comment and hearing procedure because a resident might disagree with who the parkland owner selected as the lessee or the choice of one permissible activity over another. Those types of disagreements are appropriately lodged with the parkland owner, when it makes the choice to lease the property, and not the Department when it reviews a draft lease for consistency with its statutory, proprietary, and contractual interest in the property (just as a bank might review a lease for consistency with its mortgage interest). Even questions about whether a proposed rental rate represents a fair return to the public go to whether a municipality, county, or nonprofit is exercising proper fiscal governance in how it manages its assets.

The petitioner further claims that the proposed rule changes are necessary so that he may challenge the Department's determination to approve a proposed lease or use agreement on parkland within the requisite 45-day time frame under R. 2:2-3. R. 2:2-3 provides for appeals to the Appellate Division to review final decisions or actions of any State administrative agency within the 45 days from the date of service of the decision or notice of the action taken pursuant

to R. 2:4-1(b). However, the Department believes that such a challenge to an approval of a lease or use agreement under N.J.A.C. 7:36-25.13 could be initiated whether the Petitioner's rule changes are implemented or not. As indicated above, the Department has already implemented a procedure by which it will be posting approved leases on its web site, which would be sufficient notice upon which to lodge an appeal of final agency action if a member of the public believes that the approval violates the Green Acres statutes or rules.

Finally, the Department disagrees with the petitioner's suggestion of a formalized public notice and comment process in N.J.A.C. 7:36-25.13(h) to (m) as disproportionate to the straightforward compliance verification purpose of the Department's review and approval function for leases and use agreements. As discussed above, neither the applicable statutes nor the APA requires such a process in this situation. The Department's current procedures in N.J.A.C. 7:36-25.13 provide a 45-day review period during which the Department and lease applicant communicate, via email and telephone. During that time, the scope of the Department's review is focused on the criteria in 7:36-25.13(b) through (e), which were adopted through rulemaking.

The petitioner's proposed rule language requiring formal notice and comment procedures would double the current review period to 90 days. In practice, the Department often receives leases for review less than 45 days in advance of when a lease or use agreement term is proposed to start due to the need of the parkland owner to respond to the needs of its constituents in a timely fashion. The Department endeavors to review proposed leases and use agreements expeditiously since many leases concern seasonal activities. However, the local government or nonprofit submitting the lease or use agreement must also coordinate with the proposed lessee(s)

or parkland user(s) once the Department has provided comments to ensure the lessee(s) will still agree to any revisions made in response to the Department's comments. This coordinated review process varies in length and can extend beyond the petitioner's proposed timeframes. The proposed amendments would thus limit the flexibly and ability of local government units and nonprofits to enter into and negotiate leases and use agreements that meet their recreation and conservation goals.

Although the Department is denying the petitioner's proposed rule changes on notice requirements for lease applications, the Department sees value in a more inclusive and informed decision-making process for parkland leases at the local level. Therefore, the Department will seek stakeholder feedback on enhanced notice and comments requirements as part of the upcoming rulemaking and will consider whether such changes would be appropriate as part of its comprehensive rulemaking initiative.

Accordingly, the Department has determined that rulemaking as requested in the petition is not warranted because 1) the Department is not legally required to hold public hearings on parkland leases in accordance with the Green Acres implementing statutes, the Garden State Preservation Trust Act, the Preserve New Jersey Act, or the APA; 2) the Department disagrees with the specific language of the rule changes proposed by the petitioner; and 3) the Department views the changes as overly burdensome and duplicative of certain efforts recently undertaken by the Department. The Department will consider as part of its comprehensive rulemaking initiative whether additional changes, including those requiring the lease applicant provide notice to local entities and neighboring property owners, are necessary to address the concerns raised by the petitioner.

Conclusion

For the reasons stated above, the petition is hereby denied. A copy of this notice has been mailed to the petitioner as required by N.J.A.C. 1:30-3.6.