



New Jersey Pinelands Development Credit Program

(Revised August 24, 2023)

New Jersey Pinelands Commission
P.O. Box 359, New Lisbon, NJ 08064

phone: 609-894-7300
fax: 609-894-7330
www.nj.gov/pinelands

The PDC Program

- The Pinelands Development Credit (PDC) Program is a transfer of development rights (TDR) program that helps to redirect growth in the Pinelands Area from the preservation and agricultural districts to infrastructure-supported Regional Growth Areas.
- PDCs are development rights that are allocated to certain lands (“sending areas”) that can be transferred to increase the amount of residential development permitted on other lands (“receiving areas”).
- Each PDC transfers the right to build four homes and can be bought and sold in 1/4 (or 1 right) increments.
- Sending areas include the Preservation Area District, Agricultural Production Area, and Special Agricultural Production Area. PDCs may also be allocated to other properties that can’t be developed due to of environmental constraints. Conservation or agricultural easements are placed on the sending properties when the PDCs are transferred.
- Allocations to sending properties range from 0.2 PDCs for each 39 acres of undevelopable wetlands, to two PDCs for each 39 acres of upland farmland or active berry agriculture.
- Receiving areas consist of Regional Growth Areas in 22 municipalities where zoning plans are required to allow at least 50% more homes to be built using PDCs than would otherwise be permitted. Because the program is voluntary and not all developers will use PDCs, the program was originally designed to provide twice as many opportunities to use PDCs as there were PDCs available for use. Over time, however, reductions in residential zoning capacity and development at lower than anticipated densities have significantly reduced opportunities for the use of PDCs and negatively altered the balance between supply and demand. In recent years, Pinelands municipalities have established increased densities for mixed use development, affordable housing projects, and redevelopment areas within their Regional Growth Areas. Opportunities for the use of PDCs have increased as a result, improving the balance of supply and demand.
- PDCs can also be used by property owners in other areas of the Pinelands to build homes on certain lots that are slightly smaller than normally required or that involve slight deviations from development standards.
- PDCs are bought and sold privately, with all sales transactions administered by the publicly chartered Pinelands Development Credit Bank (<http://nj.gov/pinelands/pdcbank/>).

Receiving Area Zoning

- Municipalities designate residential, commercial, and industrial zones within Regional Growth Areas.
- Many residential zones have an assigned base density (amount of development permitted without PDCs) and a maximum permitted bonus density (amount of development permitted with PDCs). Other residential zones require that a specific percentage of units in any project use PDCs, regardless of density.
- The number of homes that a developer wishes to build on a given parcel of land will determine how many, if any, PDCs are needed.

Status of the Program (6/30/2023)

- 12,135 active transferable development rights (equivalent to 3033.75 PDCs) have been formally allocated through Letters of Interpretation issued by the Pinelands Commission.
- 723 projects using PDCs have been built or approved to date. These projects involve 4,616 development rights, or 1,154.00 PDCs. Applications for many more projects that will use PDCs have been initiated and are in various stages of the approval process.
- A total of 6,613 rights have been officially severed (or removed) from sending properties, protecting 57,617 acres of ecologically sensitive and agricultural lands. Through various farmland preservation programs, an additional 2,352 rights have been extinguished (not available for use) protecting 15,685 acres of farmland in PDC sending areas.
- An estimated 5,650 rights have yet to be allocated to, or severed from, PDC sending area properties.

Ingredients for a Successful TDR Program

- Clearly define the program's objectives.
- Clearly define TDR sending and receiving areas.
- Allocate TDRs to sending areas using an approach (whether it is based on land values or land characteristics) that is reasonable and simple.
- Locate receiving areas where there is pressure for development and where infrastructure and services can be efficiently provided.
- Provide more receiving opportunities than there are rights available for transfer.
- Target future infrastructure investments to the receiving areas.
- Establish receiving area densities carefully - the threshold above which TDRs will be needed is crucial.
- Adhere to TDR density bonuses - don't permit rezonings and variances to undermine the program.
- Evaluate the economics of TDR use in receiving areas to ensure that the return to sending area landowners will match expectations.
- Keep the program's operation as simple as possible.
- Aggressively market the program in sending and receiving areas.
- Be prepared to have the government serve as a middle man if property owners' interest in selling TDRs initially exceeds developers' interest in buying them.

Example of a Municipal Zoning Plan For PDC Receiving Area

| ZONE NAME | USES PERMITTED | BASE RESIDENTIAL DENSITY | MAXIMUM RESIDENTIAL DENSITY WITH USE OF PDCs |
|------------------|-----------------------|---------------------------------|---|
| R-1.5 | Residential | 1 dwelling unit/acre | 1.5 dwelling units/acre |
| R-3 | Residential | 2 dwelling units/acre | 3 dwelling units/acre |
| R-4 | Residential | 3 dwelling units/acre | 4 dwelling units/acre |
| PRD | Planned Residential | 4.5 dwelling units/acre | 6 dwelling units/acre |
| B-I | Business | not applicable | not applicable |
| PC | Planned Commercial | not applicable | not applicable |
| LI | Light Industrial | not applicable | not applicable |

EXAMPLES of RESIDENTIAL DEVELOPMENT PLANS and PDC USE

| PROPERTY SIZE | MUNICIPAL ZONE | MAX. No. OF HOMES OR LOTS PERMITTED W/O PDCs | MAX. No. OF HOMES OR LOTS PERMITTED W/PDCs | No. OF PROPOSED HOMES OR LOTS | NO. OF RESIDENTIAL RIGHTS REQUIRED | No. OF PDCs REQUIRED |
|----------------------|-----------------------|---|---|--------------------------------------|---|-----------------------------|
| 8 acres | R-1.5 | 8 | 12 | 10 | 2 | 0.50 |
| 10 acres | R-3 | 20 | 30 | 28 | 8 | 2.00 |
| 30 acres | R-4 | 90 | 120 | 120 | 30 | 7.50 |
| 50 acres | R-4 | 150 | 200 | 170 | 20 | 5.00 |
| 100 acres | PRD | 450 | 600 | 570 | 120 | 30.00 |