



# New Jersey Pinelands Development Credit Program

(Revised September 2018)

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## **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 because of environmental problems. 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 roughly 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. Estimates completed in 2014 show that only 4,900 additional housing units are likely to be developed with PDCs, a number that is insufficient to accommodate the estimated 6,750 rights of remaining supply.
- 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.
- Most 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 (6/30/2018)**

- 11,540 transferable development rights (equivalent to 2,885.00 PDCs) have been formally allocated through Letters of Interpretation issued by the Pinelands Commission.
- 666 projects using PDCs have been built or approved, or are awaiting approval. These projects involve 4,854 development rights, or 1,213.50 PDCs.
- A total of 6,043 rights have been officially severed (or removed) from sending properties, protecting 52,346 acres of ecologically sensitive and agricultural lands. Through various farmland preservation programs, an additional 2,268 rights have been extinguished (not available for use) protecting 15,161 acres of farmland in PDC sending areas.
- An estimated 6,500 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**

<b>ZONE NAME</b>	<b>USES PERMITTED</b>	<b>BASE RESIDENTIAL DENSITY</b>	<b>MAXIMUM RESIDENTIAL DENSITY WITH USE OF PDCs</b>
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**

<b>PROPERTY SIZE</b>	<b>MUNICIPAL ZONE</b>	<b>MAX. No. OF HOMES OR LOTS PERMITTED W/O PDCs</b>	<b>MAX. No. OF HOMES OR LOTS PERMITTED W/PDCs</b>	<b>No. OF PROPOSED HOMES OR LOTS</b>	<b>NO. OF RESIDENTIAL RIGHTS REQUIRED</b>	<b>No. OF PDCs REQUIRED</b>
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