52:27D-489f

LEGISLATIVE HISTORY CHECKLIST

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LAWS OF: 2017 **CHAPTER:** 59

NJSA: 52:27D-489f (Increases value of Economic Redevelopment and Growth Grant program residential tax credits to $823 million; restricts $105 million of tax credits to qualified residential projects and mixed use parking projects)

BILL NO: S2868 (Substituted for A4501)

SPONSOR(S) Pou and others

DATE INTRODUCED: 12/15/2016

COMMITTEE: **ASSEMBLY:** Appropriations

SENATE: Budget and Appropriations

AMENDED DURING PASSAGE: No

DATE OF PASSAGE: **ASSEMBLY:** 2/15/2017

SENATE: 1/23/2017

DATE OF APPROVAL: 5/1/2017

FOLLOWING ARE ATTACHED IF AVAILABLE:

FINAL TEXT OF BILL (First Reprint enacted) Yes

S2868

SPONSOR'S STATEMENT: (Begins on page 6 of introduced bill) Yes

COMMITTEE STATEMENT: **ASSEMBLY**: Yes

SENATE: Yes

(Audio archived recordings of the committee meetings, corresponding to the date of the committee statement, ***may possibly*** be found at www.njleg.state.nj.us)

FLOOR AMENDMENT STATEMENT: No

LEGISLATIVE FISCAL ESTIMATE: Yes

A4501

SPONSOR'S STATEMENT: (Begins on page 7 of introduced bill) Yes

COMMITTEE STATEMENT: **ASSEMBLY**: Yes

SENATE: No

(Audio archived recordings of the committee meetings, corresponding to the date of the committee statement, ***may possibly*** be found at www.njleg.state.nj.us)

FLOOR AMENDMENT STATEMENT: No

LEGISLATIVE FISCAL ESTIMATE: Yes

(continued)

VETO MESSAGE: No

GOVERNOR'S PRESS RELEASE ON SIGNING: Yes

FOLLOWING WERE PRINTED:

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REPORTS: No

HEARINGS: No

NEWSPAPER ARTICLES: Yes

"New law gives Paterson $105M more in tax credits for economic development," NJBIZ, May 2, 2017

RWH/JA

P.L.2017, CHAPTER 59, ***approved May 1, 2017***
Senate, No. 2868 ***(First Reprint)***

AN ACT concerning tax credits under the Economic Redevelopment and Growth Grant program for qualified residential projects and mixed use parking projects, and amending P.L.2009, c.90.

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

1. Section 6 of P.L.2009, c.90 (C.52:27D-489f) is amended to read as follows:

6. a. Up to the limits established in subsection b. of this section and in accordance with a redevelopment incentive grant agreement, beginning upon the receipt of occupancy permits for any portion of the redevelopment project, or upon any other event evidencing project completion as set forth in the incentive grant agreement, the State Treasurer shall pay to the developer incremental State revenues directly realized from businesses operating at the site of the redevelopment project from the following taxes: the Corporation Business Tax Act (1945), P.L.1945, c.162 (C.54:10A-1 et seq.), the tax imposed on marine insurance companies pursuant to R.S.54:16-1 et seq., the tax imposed on insurers generally, pursuant to P.L.1945, c.132 (C.54:18A-1 et seq.), the public utility franchise tax, public utilities gross receipts tax and public utility excise tax imposed on sewerage and water corporations pursuant to P.L.1940, c.5 (C.54:30A-49 et seq.), those tariffs and charges imposed by electric, natural gas, telecommunications, water and sewage utilities, and cable television companies under the jurisdiction of the New Jersey Board of Public Utilities, or comparable entity, except for those tariffs, fees, or taxes related to societal benefits charges assessed pursuant to section 12 of P.L.1999, c.23 (C.48:3-60), any charges paid for compliance with the "Global Warming Response Act," P.L.2007, c.112 (C.26:2C-37 et seq.), transitional energy facility assessment unit taxes paid pursuant to section 67 of P.L.1997, c.162 (C.48:2-21.34), and the sales and use taxes on public utility and cable television services and commodities, the tax derived from net profits from business, a distributive share of partnership income, or a pro rata share of S corporation income under the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq., the tax derived from a business at the site of a redevelopment project that is required to collect the tax pursuant to the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.), the tax imposed pursuant to P.L.1966, c.30 (C.54:32B-1

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 <u>thus</u> is new matter.
Matter enclosed in superscript numerals has been adopted as follows:
[1]Senate SBA committee amendments adopted January 9, 2017.

et seq.) from the purchase of furniture, fixtures and equipment, or materials for the remediation, the construction of new structures at the site of a redevelopment project, the hotel and motel occupancy fee imposed pursuant to section 1 of P.L.2003, c.114 (C.54:32D-1), or the portion of the fee imposed pursuant to section 3 of P.L.1968, c.49 (C.46:15-7) derived from the sale of real property at the site of the redevelopment project and paid to the State Treasurer for use by the State, that is not credited to the "Shore Protection Fund" or the "Neighborhood Preservation Nonlapsing Revolving Fund" ("New Jersey Affordable Housing Trust Fund") pursuant to section 4 of P.L.1968, c.49 (C.46:15-8). Any developer shall be allowed to assign their ability to apply for the tax credit under this subsection to a non-profit organization with a mission dedicated to attracting investment and completing development and redevelopment projects in a Garden State Growth Zone. The non-profit organization may make an application on behalf of a developer which meets the requirements for the tax credit, or a group of non-qualifying developers, such that these will be considered a unified project for the purposes of the incentives provided under this section.

b. (1) Up to an average of 75 percent of the projected annual incremental revenues or 85 percent of the projected annual incremental revenues in a Garden State Growth Zone may be pledged towards the State portion of an incentive grant.

(2) In the case of a qualified residential project or a project involving university infrastructure, if the authority determines that the estimated amount of incremental revenues pledged towards the State portion of an incentive grant is inadequate to fully fund the amount of the State portion of the incentive grant, then in lieu of an incentive grant based on the incremental revenues, the developer shall be awarded tax credits equal to the full amount of the incentive grant.

(3) In the case of a mixed use parking project, if the authority determines that the estimated amount of incremental revenues pledged towards the State portion of an incentive grant is inadequate to fully fund the amount of the State portion of the incentive grant, then, in lieu of an incentive grant based on the incremental revenues, the developer shall be awarded tax credits equal to the full amount of the incentive grant.

The value of all credits approved by the authority pursuant to paragraphs (2) and (3) of this subsection shall not exceed 【$718,000,000】 <u>$823,000,000</u>, of which:

(a) $250,000,000 shall be restricted to qualified residential projects within Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean, and Salem counties, of which $175,000,000 of the credits shall be restricted to the following categories of projects: (i) qualified residential projects located in a Garden State Growth Zone located within the aforementioned counties; and (ii) mixed use parking projects located in a Garden State Growth Zone or urban transit hub located within the aforementioned counties; (iii) and $75,000,000 of the credits shall be restricted to qualified residential projects in municipalities with a 2007 Municipal Revitalization Index of 400 or higher as of the date of enactment of the "New Jersey Economic Opportunity Act of 2013," P.L.2013, c.161 (C.52:27D-489p et al.) and located within the aforementioned counties;

(b) ⟦$290,000,000⟧ $395,000,000 shall be restricted to the following categories of projects: (i) qualified residential projects located in urban transit hubs that are commuter rail in nature that otherwise do not qualify under subparagraph (a) of this paragraph; (ii) qualified residential projects located in Garden State Growth Zones that do not qualify under subparagraph (a) of this paragraph; (iii) mixed use parking projects located in urban transit hubs or Garden State Growth Zones that do not qualify under subparagraph (a) of this paragraph, provided however, an urban transit hub shall be allocated no more than $25,000,000 for mixed use parking projects; (iv) qualified residential projects which are disaster recovery projects that otherwise do not qualify under subparagraph (a) of this paragraph; (v) qualified residential projects in SDA municipalities located in Hudson County that were awarded State Aid in State Fiscal Year 2013 through the Transitional Aid to Localities program and otherwise do not qualify under subparagraph (a) of this paragraph; (vi) $25,000,000 of credits shall be restricted to mixed use parking projects in Garden State Growth Zones which have a population in excess of 125,000 and do not qualify under subparagraph (a) of this paragraph; ⟦and⟧ (vii) $40,000,000 of credits shall be restricted to qualified residential projects that include a theater venue for the performing arts and do not qualify under subparagraph (a) of this paragraph, which projects are located in a municipality with a population of less than 100,000 according to the latest federal decennial census, and within which municipality is located an urban transit hub and a campus of a public research university, as defined in section 1 of P.L.2009, c.308 (C.18A:3B-46); and (viii) $105,000,000 of credits shall be restricted to qualified residential projects and mixed use parking projects in Garden State Growth Zones having a population in excess of 125,000 and do not qualify under subparagraph (a) of this paragraph;

(c) $87,000,000 shall be restricted to the following categories of projects: (i) qualified residential projects located in distressed municipalities, deep poverty pockets, highlands development credit receiving areas or redevelopment areas, otherwise not qualifying pursuant to subparagraph (a) or (b) of this paragraph; and (ii) mixed use parking projects that do not qualify under subparagraph (a) or (b) of this paragraph, and which are used by an independent institution of higher education, a school of medicine, a nonprofit hospital system, or any combination thereof; provided, however, that $20,000,000 of the $87,000,000 shall be allocated to mixed use parking projects that do not qualify under subparagraph (a) or (b) of this paragraph;

(d) (i) $16,000,000 shall be restricted to qualified residential projects that are located within a qualifying economic redevelopment and growth grant incentive area otherwise not qualifying under subparagraph (a), (b), or (c) of this paragraph; and

(ii) an additional $50,000,000 shall be restricted to qualified residential projects which, as of the effective date of P.L.2016, c.51, are located in a city of the first class with a population in excess of 270,000, are subject to a Renewal Contract for a Section 8 Mark-Up-To-Market Project from the United States Department of Housing and Urban Development, and for which an application for the award of tax credits under this subsection was submitted prior to January 1, 2016; and

(e) $25,000,000 shall be restricted to projects involving university infrastructure.

(f) For subparagraphs (a) through (d) of this paragraph, not more than $40,000,000 of credits shall be awarded to any qualified residential project in a deep poverty pocket or distressed municipality and not more than $20,000,000 of credits shall be awarded to any other qualified residential project. The developer of a qualified residential project seeking an award of credits towards the funding of its incentive grant shall submit an incentive grant application prior to July 1, 2016 and if approved after September 18, 2013, the effective date of P.L.2013, c.161 (C.52:27D-489p et al.) shall submit a temporary certificate of occupancy for the project no later than July 28, 2019. The developer of a mixed use parking project seeking an award of credits towards the funding of its incentive grant pursuant to subparagraph (c) of this paragraph and if approved after the effective date of P.L.2015, c.217, shall submit a temporary certificate of occupancy for the project no later than July 28, 2021. [1]The developer of a qualified residential project or a mixed use parking project seeking an award of credits toward the funding of its incentive grant for a project restricted under category (viii) of subparagraph (b) of this paragraph shall submit an incentive grant application prior to July 1, 2018, and if approved after the effective date of P.L. , c. (C.) (pending before the Legislature as this bill), shall submit a temporary certificate of occupancy for the project no later than July 28, 2021.[1] Applications for tax credits pursuant to this subsection relating to an ancillary infrastructure project or infrastructure improvement in the public right-of-way, or both, shall be accompanied with a letter of support relating to the project or improvement by the governing body or agency in which the project is located. Credits awarded to a developer pursuant to this subsection shall be subject to the same financial and related analysis by the authority, the same term of the grant, and the same mechanism for administering the credits, and shall be utilized or transferred by the developer as if the credits had been awarded to the developer pursuant to section 35 of P.L.2009, c.90 (C.34:1B-209.3) for qualified residential projects thereunder. No portion of the revenues pledged pursuant to the "New Jersey Economic Opportunity Act of 2013," P.L.2013, c.161 (C.52:27D-489p et al.) shall be subject to withholding or retainage for adjustment, in the event the developer or taxpayer waives its rights to claim a refund thereof.

(4) A developer may apply to the Director of the Division of Taxation in the Department of the Treasury and the chief executive officer of the authority for a tax credit transfer certificate, if the developer is awarded a tax credit pursuant to paragraph (2) or paragraph (3) of this subsection, covering one or more years, in lieu of the developer being allowed any amount of the credit against the tax liability of the developer. The tax credit transfer certificate, upon receipt thereof by the developer from the director and the chief executive officer of the authority, may be sold or assigned, in full or in part, to any other person who may have a tax liability pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5), sections 2 and 3 of P.L.1945, c.132 (C.54:18A-2 and C.54:18A-3), section 1 of P.L.1950, c.231 (C.17:32-15), or N.J.S.17B:23-5. The certificate provided to the developer shall include a statement waiving the developer's right to claim that amount of the credit against the taxes that the developer has elected to sell or assign. The sale or assignment of any amount of a tax credit transfer certificate allowed under this paragraph shall not be exchanged for consideration received by the developer of less than 75 percent of the transferred credit amount before considering any further discounting to present value that may be permitted. Any amount of a tax credit transfer certificate used by a purchaser or assignee against a tax liability shall be subject to the same limitations and conditions that apply to the use of the credit by the developer who originally applied for and was allowed the credit.

c. All administrative costs associated with the incentive grant shall be assessed to the applicant and be retained by the State Treasurer from the annual incentive grant payments.

d. The incremental revenue for the revenues listed in subsection a. of this section shall be calculated as the difference between the amount collected in any fiscal year from any eligible revenue source included in the State redevelopment incentive grant agreement, less the revenue increment base for that eligible revenue.

e. The municipality is authorized to collect any information necessary to facilitate grants under this program and remit that information in order to assist in the calculation of incremental revenue.

(cf: P.L.2016, c.51, s.1)

2. This act shall take effect immediately.

Increases value of Economic Redevelopment and Growth Grant program residential tax credits to $823 million; restricts $105 million of tax credits to qualified residential projects and mixed use parking projects.

SENATE, No. 2868

STATE OF NEW JERSEY

217th LEGISLATURE

INTRODUCED DECEMBER 15, 2016

Sponsored by:
Senator NELLIE POU
District 35 (Bergen and Passaic)
Senator PAUL A. SARLO
District 36 (Bergen and Passaic)

Co-Sponsored by:
Senator Sweeney

SYNOPSIS

Increases value of Economic Redevelopment and Growth Grant program residential tax credits to $823 million; restricts $105 million of tax credits to qualified residential projects and mixed use parking projects.

CURRENT VERSION OF TEXT

As introduced.

(Sponsorship Updated As Of: 1/10/2017)

AN ACT concerning tax credits under the Economic Redevelopment and Growth Grant program for qualified residential projects and mixed use parking projects, and amending P.L.2009, c.90.

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

1. Section 6 of P.L.2009, c.90 (C.52:27D-489f) is amended to read as follows:

6. a. Up to the limits established in subsection b. of this section and in accordance with a redevelopment incentive grant agreement, beginning upon the receipt of occupancy permits for any portion of the redevelopment project, or upon any other event evidencing project completion as set forth in the incentive grant agreement, the State Treasurer shall pay to the developer incremental State revenues directly realized from businesses operating at the site of the redevelopment project from the following taxes: the Corporation Business Tax Act (1945), P.L.1945, c.162 (C.54:10A-1 et seq.), the tax imposed on marine insurance companies pursuant to R.S.54:16-1 et seq., the tax imposed on insurers generally, pursuant to P.L.1945, c.132 (C.54:18A-1 et seq.), the public utility franchise tax, public utilities gross receipts tax and public utility excise tax imposed on sewerage and water corporations pursuant to P.L.1940, c.5 (C.54:30A-49 et seq.), those tariffs and charges imposed by electric, natural gas, telecommunications, water and sewage utilities, and cable television companies under the jurisdiction of the New Jersey Board of Public Utilities, or comparable entity, except for those tariffs, fees, or taxes related to societal benefits charges assessed pursuant to section 12 of P.L.1999, c.23 (C.48:3-60), any charges paid for compliance with the "Global Warming Response Act," P.L.2007, c.112 (C.26:2C-37 et seq.), transitional energy facility assessment unit taxes paid pursuant to section 67 of P.L.1997, c.162 (C.48:2-21.34), and the sales and use taxes on public utility and cable television services and commodities, the tax derived from net profits from business, a distributive share of partnership income, or a pro rata share of S corporation income under the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq., the tax derived from a business at the site of a redevelopment project that is required to collect the tax pursuant to the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.), the tax imposed pursuant to P.L.1966, c.30 (C.54:32B-1 et seq.) from the purchase of furniture, fixtures and equipment, or materials for the remediation, the construction of new structures at the site of a redevelopment project, the hotel and motel occupancy fee imposed pursuant to section 1 of P.L.2003, c.114 (C.54:32D-1),

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Matter underlined <u>thus</u> is new matter.

or the portion of the fee imposed pursuant to section 3 of P.L.1968, c.49 (C.46:15-7) derived from the sale of real property at the site of the redevelopment project and paid to the State Treasurer for use by the State, that is not credited to the "Shore Protection Fund" or the "Neighborhood Preservation Nonlapsing Revolving Fund" ("New Jersey Affordable Housing Trust Fund") pursuant to section 4 of P.L.1968, c.49 (C.46:15-8). Any developer shall be allowed to assign their ability to apply for the tax credit under this subsection to a non-profit organization with a mission dedicated to attracting investment and completing development and redevelopment projects in a Garden State Growth Zone. The non-profit organization may make an application on behalf of a developer which meets the requirements for the tax credit, or a group of non-qualifying developers, such that these will be considered a unified project for the purposes of the incentives provided under this section.

b. (1) Up to an average of 75 percent of the projected annual incremental revenues or 85 percent of the projected annual incremental revenues in a Garden State Growth Zone may be pledged towards the State portion of an incentive grant.

(2) In the case of a qualified residential project or a project involving university infrastructure, if the authority determines that the estimated amount of incremental revenues pledged towards the State portion of an incentive grant is inadequate to fully fund the amount of the State portion of the incentive grant, then in lieu of an incentive grant based on the incremental revenues, the developer shall be awarded tax credits equal to the full amount of the incentive grant.

(3) In the case of a mixed use parking project, if the authority determines that the estimated amount of incremental revenues pledged towards the State portion of an incentive grant is inadequate to fully fund the amount of the State portion of the incentive grant, then, in lieu of an incentive grant based on the incremental revenues, the developer shall be awarded tax credits equal to the full amount of the incentive grant.

The value of all credits approved by the authority pursuant to paragraphs (2) and (3) of this subsection shall not exceed ⟦$718,000,000⟧ <u>$823,000,000</u>, of which:

(a) $250,000,000 shall be restricted to qualified residential projects within Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean, and Salem counties, of which $175,000,000 of the credits shall be restricted to the following categories of projects: (i) qualified residential projects located in a Garden State Growth Zone located within the aforementioned counties; and (ii) mixed use parking projects located in a Garden State Growth Zone or urban transit hub located within the aforementioned counties; (iii) and $75,000,000 of the credits shall be restricted to qualified residential projects in municipalities with a

2007 Municipal Revitalization Index of 400 or higher as of the date of enactment of the "New Jersey Economic Opportunity Act of 2013," P.L.2013, c.161 (C.52:27D-489p et al.) and located within the aforementioned counties;

(b) **[**$290,000,000**]** <u>$395,000,000</u> shall be restricted to the following categories of projects: (i) qualified residential projects located in urban transit hubs that are commuter rail in nature that otherwise do not qualify under subparagraph (a) of this paragraph; (ii) qualified residential projects located in Garden State Growth Zones that do not qualify under subparagraph (a) of this paragraph; (iii) mixed use parking projects located in urban transit hubs or Garden State Growth Zones that do not qualify under subparagraph (a) of this paragraph, provided however, an urban transit hub shall be allocated no more than $25,000,000 for mixed use parking projects; (iv) qualified residential projects which are disaster recovery projects that otherwise do not qualify under subparagraph (a) of this paragraph; (v) qualified residential projects in SDA municipalities located in Hudson County that were awarded State Aid in State Fiscal Year 2013 through the Transitional Aid to Localities program and otherwise do not qualify under subparagraph (a) of this paragraph; (vi) $25,000,000 of credits shall be restricted to mixed use parking projects in Garden State Growth Zones which have a population in excess of 125,000 and do not qualify under subparagraph (a) of this paragraph; **[**and**]** (vii) $40,000,000 of credits shall be restricted to qualified residential projects that include a theater venue for the performing arts and do not qualify under subparagraph (a) of this paragraph, which projects are located in a municipality with a population of less than 100,000 according to the latest federal decennial census, and within which municipality is located an urban transit hub and a campus of a public research university, as defined in section 1 of P.L.2009, c.308 (C.18A:3B-46); <u>and (viii) $105,000,000 of credits shall be restricted to qualified residential projects and mixed use parking projects in Garden State Growth Zones having a population in excess of 125,000 and do not qualify under subparagraph (a) of this paragraph;</u>

(c) $87,000,000 shall be restricted to the following categories of projects: (i) qualified residential projects located in distressed municipalities, deep poverty pockets, highlands development credit receiving areas or redevelopment areas, otherwise not qualifying pursuant to subparagraph (a) or (b) of this paragraph; and (ii) mixed use parking projects that do not qualify under subparagraph (a) or (b) of this paragraph, and which are used by an independent institution of higher education, a school of medicine, a nonprofit hospital system, or any combination thereof; provided, however, that $20,000,000 of the $87,000,000 shall be allocated to mixed use parking projects that do not qualify under subparagraph (a) or (b) of this paragraph;

(d) (i) $16,000,000 shall be restricted to qualified residential projects that are located within a qualifying economic redevelopment and growth grant incentive area otherwise not qualifying under subparagraph (a), (b), or (c) of this paragraph; and

(ii) an additional $50,000,000 shall be restricted to qualified residential projects which, as of the effective date of P.L.2016, c.51, are located in a city of the first class with a population in excess of 270,000, are subject to a Renewal Contract for a Section 8 Mark-Up-To-Market Project from the United States Department of Housing and Urban Development, and for which an application for the award of tax credits under this subsection was submitted prior to January 1, 2016; and

(e) $25,000,000 shall be restricted to projects involving university infrastructure.

(f) For subparagraphs (a) through (d) of this paragraph, not more than $40,000,000 of credits shall be awarded to any qualified residential project in a deep poverty pocket or distressed municipality and not more than $20,000,000 of credits shall be awarded to any other qualified residential project. The developer of a qualified residential project seeking an award of credits towards the funding of its incentive grant shall submit an incentive grant application prior to July 1, 2016 and if approved after September 18, 2013, the effective date of P.L.2013, c.161 (C.52:27D-489p et al.) shall submit a temporary certificate of occupancy for the project no later than July 28, 2019. The developer of a mixed use parking project seeking an award of credits towards the funding of its incentive grant pursuant to subparagraph (c) of this paragraph and if approved after the effective date of P.L.2015, c.217, shall submit a temporary certificate of occupancy for the project no later than July 28, 2021. Applications for tax credits pursuant to this subsection relating to an ancillary infrastructure project or infrastructure improvement in the public right-of-way, or both, shall be accompanied with a letter of support relating to the project or improvement by the governing body or agency in which the project is located. Credits awarded to a developer pursuant to this subsection shall be subject to the same financial and related analysis by the authority, the same term of the grant, and the same mechanism for administering the credits, and shall be utilized or transferred by the developer as if the credits had been awarded to the developer pursuant to section 35 of P.L.2009, c.90 (C.34:1B-209.3) for qualified residential projects thereunder. No portion of the revenues pledged pursuant to the "New Jersey Economic Opportunity Act of 2013," P.L.2013, c.161 (C.52:27D-489p et al.) shall be subject to withholding or retainage for adjustment, in the event the developer or taxpayer waives its rights to claim a refund thereof.

(4) A developer may apply to the Director of the Division of Taxation in the Department of the Treasury and the chief executive

officer of the authority for a tax credit transfer certificate, if the developer is awarded a tax credit pursuant to paragraph (2) or paragraph (3) of this subsection, covering one or more years, in lieu of the developer being allowed any amount of the credit against the tax liability of the developer. The tax credit transfer certificate, upon receipt thereof by the developer from the director and the chief executive officer of the authority, may be sold or assigned, in full or in part, to any other person who may have a tax liability pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5), sections 2 and 3 of P.L.1945, c.132 (C.54:18A-2 and C.54:18A-3), section 1 of P.L.1950, c.231 (C.17:32-15), or N.J.S.17B:23-5. The certificate provided to the developer shall include a statement waiving the developer's right to claim that amount of the credit against the taxes that the developer has elected to sell or assign. The sale or assignment of any amount of a tax credit transfer certificate allowed under this paragraph shall not be exchanged for consideration received by the developer of less than 75 percent of the transferred credit amount before considering any further discounting to present value that may be permitted. Any amount of a tax credit transfer certificate used by a purchaser or assignee against a tax liability shall be subject to the same limitations and conditions that apply to the use of the credit by the developer who originally applied for and was allowed the credit.

c. All administrative costs associated with the incentive grant shall be assessed to the applicant and be retained by the State Treasurer from the annual incentive grant payments.

d. The incremental revenue for the revenues listed in subsection a. of this section shall be calculated as the difference between the amount collected in any fiscal year from any eligible revenue source included in the State redevelopment incentive grant agreement, less the revenue increment base for that eligible revenue.

e. The municipality is authorized to collect any information necessary to facilitate grants under this program and remit that information in order to assist in the calculation of incremental revenue.

(cf: P.L.2016, c.51, s.1)

2. This act shall take effect immediately.

STATEMENT

This bill increases the overall value of tax credits that the Economic Development Authority (authority) may award under the Economic Redevelopment and Growth Grant program to developers of qualified residential projects and mixed use parking projects from $718 million to $823 million. The bill restricts the award of the additional $105 million worth of tax credits to qualified residential projects and mixed use parking projects located in a Garden State Growth Zone city having a population in excess of 125,000. The $105 million represents an amount that had already been awarded by the authority under the Urban Transit Hub Tax Credit (UTH) Program; however, the application for that award was withdrawn in accordance with the terms of the award and the UTH Program has since expired.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

SENATE, No. 2868

STATE OF NEW JERSEY

DATED: JANUARY 30, 2017

The Assembly Appropriations Committee reports favorably Senate Bill No. 2868 (1R).

This bill increases the overall value of all tax credits that the New Jersey Economic Development Authority (EDA) may award under the Economic Redevelopment and Growth (ERG) program to developers of certain qualified residential projects, projects involving university infrastructure, and mixed use parking projects. The bill restricts the award of the additional tax credits authorized by the bill to qualified residential projects and mixed use parking projects located in certain Garden State Growth Zones, and requires the developers seeking an award of the additional tax credits to meet certain application and project completion deadlines.

Under current law, the authority is permitted to award ERG program tax credits to developers for a percentage of total project costs that are incurred in connection with certain qualified residential projects, projects involving university infrastructure, and mixed use parking projects. Current law limits the overall value of all tax credits that can be awarded to developers for these projects to not more than \$718 million over the life of the program, and allocates certain portions of the authorized tax credits to specific geographic regions and categories of eligible projects.

This bill increases the current limit imposed on the overall value of all tax credits that can be awarded to developers under the program to \$823 million. In doing so, the bill restricts the award of the \$105 million in additional tax credits to qualified residential projects and mixed use parking projects located in certain Garden State Growth Zones having a population in excess of 125,000, and requires the developer of a project seeking an award of the additional tax credits authorized by the bill to submit an incentive grant application prior to July 1, 2018, and if approved, to submit a temporary certificate of occupancy for the project no later than July 28, 2021.

As reported, this bill is identical to Assembly Bill No. 4501, as reported by the committee.

FISCAL IMPACT:

The Office of Legislative Services (OLS) expects the bill will produce a negative fiscal net impact of an indeterminate magnitude to the State. This expectation is due to the fact that the ERG program does not require eligible projects receiving tax credits to yield a net fiscal benefit to the State.

The inability of the OLS to quantify the bill's fiscal net impact is the result of insufficient information regarding: the number and attributes of projects in eligible Garden State Growth Zones that are likely to be awarded tax credits as a result of the bill and the potential State tax revenue that may be replaced by ERG program tax credit awards to projects in the eligible zones.

In general, the State fiscal net impact is calculated by adding the direct revenue loss from awarding up to $105 million in ERG program tax credits to certain projects in eligible zones and their indeterminate opportunity costs and subtracting from that sum the indeterminate indirect revenue gain that will accrue from additional economic activity the additional tax credit awards will catalyze.

The bill may accrue an indeterminate revenue gain to affected local governments in the form of an indirect revenue gain from recipients of such tax credit awards spending amounts realized from incentives in New Jersey on goods and services that would not have been purchased absent the tax credit award.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 2868

with committee amendments

STATE OF NEW JERSEY

DATED: JANUARY 9, 2017

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2868, with committee amendments.

As amended, this bill increases the overall value of all tax credits that the New Jersey Economic Development Authority (EDA) may award under the Economic Redevelopment and Growth (ERG) program to developers of certain qualified residential projects, projects involving university infrastructure, and mixed use parking projects. The bill restricts the award of the additional tax credits authorized by the bill to qualified residential projects and mixed use parking projects located in certain Garden State Growth Zones, and requires the developers seeking an award of the additional tax credits to meet certain application and project completion deadlines.

Under current law, the authority is permitted to award ERG program tax credits to developers for a percentage of total project costs that are incurred in connection with certain qualified residential projects, projects involving university infrastructure, and mixed use parking projects. Current law limits the overall value of all tax credits that can be awarded to developers for these projects to not more than $718 million over the life of the program, and allocates certain portions of the authorized tax credits to specific geographic regions and categories of eligible projects.

This bill increases the current limit imposed on the overall value of all tax credits that can be awarded to developers under the program to $823 million. In doing so, the bill restricts the award of the $105 million in additional tax credits to qualified residential projects and mixed use parking projects located in certain Garden State Growth Zones having a population in excess of 125,000, and requires the developer of a project seeking an award of the additional tax credits authorized by the bill to submit an incentive grant application prior to July 1, 2018, and if approved, to submit a temporary certificate of occupancy for the project no later than July 28, 2021.

The bill is scheduled to take effect immediately upon enactment.

COMMITTEE AMENDMENTS:

The amendments require the developer of a qualified residential project or a mixed use parking project that is seeking an award of the additional Economic Redevelopment and Growth (ERG) program tax credits authorized by the bill to submit an incentive grant application prior to July 1, 2018, and if approved, to submit a temporary certificate of occupancy for the project no later than July 28, 2021.

FISCAL IMPACT:

The Office of Legislative Services (OLS) expects the bill will produce a negative fiscal net impact of an indeterminate magnitude to the State. This expectation is due to the fact that the ERG program does not require eligible projects receiving tax credits to yield a net fiscal benefit to the State.

The inability of the OLS to quantify the bill's fiscal net impact is the result of insufficient information regarding: the number and attributes of projects in eligible Garden State Growth Zones that are likely to be awarded tax credits as a result of the bill and the potential State tax revenue that may be replaced by ERG program tax credit awards to projects in the eligible zones.

In general, the State fiscal net impact is calculated by adding the direct revenue loss from awarding up to $105 million in ERG program tax credits to certain projects in eligible zones and their indeterminate opportunity costs and subtracting from that sum the indeterminate indirect revenue gain that will accrue from additional economic activity the additional tax credit awards will catalyze.

The bill may accrue an indeterminate revenue gain to affected local governments in the form of an indirect revenue gain from recipients of such tax credit awards spending amounts realized from incentives in New Jersey on goods and services that would not have been purchased absent the tax credit award.

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 2868

STATE OF NEW JERSEY
217th LEGISLATURE

DATED: JANUARY 27, 2017

SUMMARY

Synopsis: Increases value of Economic Redevelopment and Growth Grant program residential tax credits to $823 million; restricts $105 million of tax credits to qualified residential projects and mixed use parking projects.

Type of Impact: Reduced State revenue; potential revenue increase to affected local governments.

Agencies Affected: New Jersey Economic Development Authority.
Department of the Treasury.
Certain Local Governments.

Office of Legislative Services Estimate

Fiscal Impact	**Multi-Year Lifespan of Tax Credits**
State Revenue Decrease	Up to $105,000,000
Local Revenue Increase	Indeterminate – See comments below

- The Office of Legislative Services (OLS) finds that, aggregated over several years, the bill will reduce State revenue by up to $105 million, the amount of additional Economic Redevelopment and Growth Grant (ERG) tax credits permitted under the bill. Taxpayers will use the credits in 10 annual installments following project completion, which must occur by the bill's 2021 deadline. The annual revenue reduction will be no more than $10.5 million.

- This reduction in revenue is expected to be offset to some degree by increased State revenues resulting from the economic activity incentivized by tax credit-receiving projects. The amount of that additional offsetting revenue is likely to be less than $105 million because the ERG program does not require residential, tax credit-receiving, projects to yield a net positive fiscal benefit to the State.

- The legislation might accrue an indeterminate revenue gain to affected local governments if the bill results in the New Jersey Economic Development Authority (EDA) extending financial assistance to redevelopment projects that would not be undertaken absent the

Office of Legislative Services
State House Annex
P.O. Box 068
Trenton, New Jersey 08625

– OLS –

Legislative Budget and Finance Office
Phone (609) 847-3105
Fax (609) 777-2442
www.njleg.state.nj.us

assistance and if the redevelopment projects involve value-increasing improvements to taxable real estate.

BILL DESCRIPTION

Senate Bill No. 2868 (1R) of 2016 increases by $105 million, from $718 million to $823 million, the overall value of all tax credits that the EDA may award under the ERG program to developers of certain qualified residential projects, projects involving university infrastructure, and mixed use parking projects. The bill restricts the additional tax credit awards to qualified residential projects and mixed use parking projects located in the City of Paterson. The application deadline for the additional tax credits is July 1, 2018 and projects must obtain temporary certificates of occupancy by July 28, 2021.

In general, ERG tax credit awards are authorized for taxpayer use in up to ten equal annual installments following project completion, must close a project financing gap that otherwise would be likely to prevent a project's realization, and cannot exceed 30 percent of total project cost in conjunction with any municipal ERG award (or 40 percent in one of the five designated Garden State Growth Zone municipalities: Atlantic City, Camden, Passaic, Paterson, and Trenton). The application deadline for all projects unaffected by this bill was July 1, 2016 and projects must obtain temporary certificates of occupancy by July 28, 2018. Projects receiving ERG tax credits are not required to generate fiscal benefits to the State in excess of the incentive amount.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds that, aggregated over several years, the bill will reduce State revenue by up to $105 million, the amount of additional ERG tax credits permitted under the bill. This reduction is expected to be offset to some degree by increased State revenues resulting from the economic activity incentivized by tax credit-receiving projects. The amount of that additional offsetting revenue is likely to be less than $105 million because the ERG program does not require residential, tax credit-receiving, projects to yield a net positive fiscal benefit to the State.

The ERG credits are to begin being awarded upon enactment of the bill; however the bill also requires any project to be completed with a certificate of occupancy no later than July 28, 2021. Completion of the project is the point at which the tax credit award may begin to be redeemed by the award recipient. The tax credits are to be taken in 10 equal annual installments. This means that between the effective date of the bill and the 2021 project completion deadline, the $105 million in credits will need to be awarded and begin redemption. Assuming all credits are both awarded and completed within the deadline, credit redemption will have fully phased-in and begun being redeemed at a full rate of $10.5 million per year starting in 2021. By 2031, 10 years following the date when projects must be completed, the tax credit awards will have been fully redeemed and there will no longer be a reduction in revenue.

ERG tax credits are awarded for redevelopment projects that are expected to result in increased employment in the construction industry and positive State tax revenue, including, income taxes on employees as well as any applicable sales tax on construction materials. Once the projects are complete, the State is expected to realize additional indirect revenue from any new residents who move into the area as a result of the projects, as well as economic activity generated by businesses providing services or jobs for those new residents.

The amount of benefit from this new economic activity is likely to be less than the $105 million cost of the tax credits because the ERG program does not require recipients of residential tax credit-receiving projects to pass a net benefits test. The net benefits test is a calculation made by the EDA to measure the total State revenue that will be generated by an incentivized project to ensure that the State will realize a positive return on its investment of economic development incentives. By not subjecting a project to a net benefits requirement, it is possible that a project will generate an amount of State revenue below the amount provided to the project in tax credits, resulting in a net revenue loss to the State. The amount of that net loss cannot be known due to a lack of information on the attributes of projects that may be granted the $105 million in additional tax credits.

The legislation might also accrue an indeterminate revenue gain to affected local governments if the bill results in the EDA extending financial assistance to redevelopment projects that would not be undertaken absent the assistance and if the redevelopment projects involve value-increasing improvements to taxable real estate.

In general, the OLS notes that only the indirect revenue to be realized from redevelopment projects that will be incentivized by the tax credits can be attributed to the bill. In contrast, whenever the State will subsidize a project that a taxpayer will undertake with or without the public assistance, the financial inducement will not cause the project's realization. As a result, none of the project's economic and fiscal feedback effects will be attributable to the incentive, and therefore will have to be excluded from the tabulation of the incentive's indirect fiscal benefits.

Section:	*Authorities, Utilities, Transportation and Communications*
Analyst:	*Kevin J. Donahue* *Lead Research Analyst*
Approved:	*Frank W. Haines III* *Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

ASSEMBLY, No. 4501

STATE OF NEW JERSEY

217th LEGISLATURE

INTRODUCED JANUARY 19, 2017

Sponsored by:
Assemblywoman SHAVONDA E. SUMTER
District 35 (Bergen and Passaic)
Assemblyman BENJIE E. WIMBERLY
District 35 (Bergen and Passaic)

SYNOPSIS

Increases value of Economic Redevelopment and Growth Grant program residential tax credits to $823 million; restricts $105 million of tax credits to qualified residential projects and mixed use parking projects.

CURRENT VERSION OF TEXT

As introduced.

AN ACT concerning tax credits under the Economic Redevelopment and Growth Grant program for qualified residential projects and mixed use parking projects, and amending P.L.2009, c.90.

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

1. Section 6 of P.L.2009, c.90 (C.52:27D-489f) is amended to read as follows:

6. a. Up to the limits established in subsection b. of this section and in accordance with a redevelopment incentive grant agreement, beginning upon the receipt of occupancy permits for any portion of the redevelopment project, or upon any other event evidencing project completion as set forth in the incentive grant agreement, the State Treasurer shall pay to the developer incremental State revenues directly realized from businesses operating at the site of the redevelopment project from the following taxes: the Corporation Business Tax Act (1945), P.L.1945, c.162 (C.54:10A-1 et seq.), the tax imposed on marine insurance companies pursuant to R.S.54:16-1 et seq., the tax imposed on insurers generally, pursuant to P.L.1945, c.132 (C.54:18A-1 et seq.), the public utility franchise tax, public utilities gross receipts tax and public utility excise tax imposed on sewerage and water corporations pursuant to P.L.1940, c.5 (C.54:30A-49 et seq.), those tariffs and charges imposed by electric, natural gas, telecommunications, water and sewage utilities, and cable television companies under the jurisdiction of the New Jersey Board of Public Utilities, or comparable entity, except for those tariffs, fees, or taxes related to societal benefits charges assessed pursuant to section 12 of P.L.1999, c.23 (C.48:3-60), any charges paid for compliance with the "Global Warming Response Act," P.L.2007, c.112 (C.26:2C-37 et seq.), transitional energy facility assessment unit taxes paid pursuant to section 67 of P.L.1997, c.162 (C.48:2-21.34), and the sales and use taxes on public utility and cable television services and commodities, the tax derived from net profits from business, a distributive share of partnership income, or a pro rata share of S corporation income under the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq., the tax derived from a business at the site of a redevelopment project that is required to collect the tax pursuant to the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.), the tax imposed pursuant to P.L.1966, c.30 (C.54:32B-1 et seq.) from the purchase of furniture, fixtures and equipment, or materials for the remediation, the construction of new structures at the site of a redevelopment project, the hotel and motel occupancy fee imposed

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.

pursuant to section 1 of P.L.2003, c.114 (C.54:32D-1), or the portion of the fee imposed pursuant to section 3 of P.L.1968, c.49 (C.46:15-7) derived from the sale of real property at the site of the redevelopment project and paid to the State Treasurer for use by the State, that is not credited to the "Shore Protection Fund" or the "Neighborhood Preservation Nonlapsing Revolving Fund" ("New Jersey Affordable Housing Trust Fund") pursuant to section 4 of P.L.1968, c.49 (C.46:15-8). Any developer shall be allowed to assign their ability to apply for the tax credit under this subsection to a non-profit organization with a mission dedicated to attracting investment and completing development and redevelopment projects in a Garden State Growth Zone. The non-profit organization may make an application on behalf of a developer which meets the requirements for the tax credit, or a group of non-qualifying developers, such that these will be considered a unified project for the purposes of the incentives provided under this section.

b. (1) Up to an average of 75 percent of the projected annual incremental revenues or 85 percent of the projected annual incremental revenues in a Garden State Growth Zone may be pledged towards the State portion of an incentive grant.

(2) In the case of a qualified residential project or a project involving university infrastructure, if the authority determines that the estimated amount of incremental revenues pledged towards the State portion of an incentive grant is inadequate to fully fund the amount of the State portion of the incentive grant, then in lieu of an incentive grant based on the incremental revenues, the developer shall be awarded tax credits equal to the full amount of the incentive grant.

(3) In the case of a mixed use parking project, if the authority determines that the estimated amount of incremental revenues pledged towards the State portion of an incentive grant is inadequate to fully fund the amount of the State portion of the incentive grant, then, in lieu of an incentive grant based on the incremental revenues, the developer shall be awarded tax credits equal to the full amount of the incentive grant.

The value of all credits approved by the authority pursuant to paragraphs (2) and (3) of this subsection shall not exceed 【$718,000,000】 <u>$823,000,000</u>, of which:

(a) $250,000,000 shall be restricted to qualified residential projects within Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean, and Salem counties, of which $175,000,000 of the credits shall be restricted to the following categories of projects: (i) qualified residential projects located in a Garden State Growth Zone located within the aforementioned counties; and (ii) mixed use parking projects located in a Garden State Growth Zone or urban transit hub located within the aforementioned counties; (iii) and $75,000,000 of the credits shall be restricted to qualified residential projects in municipalities with a 2007 Municipal Revitalization Index of 400 or higher as of the date of enactment of the "New Jersey Economic Opportunity Act of 2013," P.L.2013, c.161 (C.52:27D-489p et al.) and located within the aforementioned counties;

(b) ⟦$290,000,000⟧ $395,000,000 shall be restricted to the following categories of projects: (i) qualified residential projects located in urban transit hubs that are commuter rail in nature that otherwise do not qualify under subparagraph (a) of this paragraph; (ii) qualified residential projects located in Garden State Growth Zones that do not qualify under subparagraph (a) of this paragraph; (iii) mixed use parking projects located in urban transit hubs or Garden State Growth Zones that do not qualify under subparagraph (a) of this paragraph, provided however, an urban transit hub shall be allocated no more than $25,000,000 for mixed use parking projects; (iv) qualified residential projects which are disaster recovery projects that otherwise do not qualify under subparagraph (a) of this paragraph; (v) qualified residential projects in SDA municipalities located in Hudson County that were awarded State Aid in State Fiscal Year 2013 through the Transitional Aid to Localities program and otherwise do not qualify under subparagraph (a) of this paragraph; (vi) $25,000,000 of credits shall be restricted to mixed use parking projects in Garden State Growth Zones which have a population in excess of 125,000 and do not qualify under subparagraph (a) of this paragraph; ⟦and⟧ (vii) $40,000,000 of credits shall be restricted to qualified residential projects that include a theater venue for the performing arts and do not qualify under subparagraph (a) of this paragraph, which projects are located in a municipality with a population of less than 100,000 according to the latest federal decennial census, and within which municipality is located an urban transit hub and a campus of a public research university, as defined in section 1 of P.L.2009, c.308 (C.18A:3B-46); and (viii) $105,000,000 of credits shall be restricted to qualified residential projects and mixed use parking projects in Garden State Growth Zones having a population in excess of 125,000 and do not qualify under subparagraph (a) of this paragraph;

(c) $87,000,000 shall be restricted to the following categories of projects: (i) qualified residential projects located in distressed municipalities, deep poverty pockets, highlands development credit receiving areas or redevelopment areas, otherwise not qualifying pursuant to subparagraph (a) or (b) of this paragraph; and (ii) mixed use parking projects that do not qualify under subparagraph (a) or (b) of this paragraph, and which are used by an independent institution of higher education, a school of medicine, a nonprofit hospital system, or any combination thereof; provided, however, that $20,000,000 of the $87,000,000 shall be allocated to mixed use parking projects that do not qualify under subparagraph (a) or (b) of this paragraph;

(d) (i) $16,000,000 shall be restricted to qualified residential projects that are located within a qualifying economic redevelopment and growth grant incentive area otherwise not qualifying under subparagraph (a), (b), or (c) of this paragraph; and

(ii) an additional $50,000,000 shall be restricted to qualified residential projects which, as of the effective date of P.L.2016, c.51, are located in a city of the first class with a population in excess of 270,000, are subject to a Renewal Contract for a Section 8 Mark-Up-To-Market Project from the United States Department of Housing and Urban Development, and for which an application for the award of tax credits under this subsection was submitted prior to January 1, 2016; and

(e) $25,000,000 shall be restricted to projects involving university infrastructure.

(f) For subparagraphs (a) through (d) of this paragraph, not more than $40,000,000 of credits shall be awarded to any qualified residential project in a deep poverty pocket or distressed municipality and not more than $20,000,000 of credits shall be awarded to any other qualified residential project. The developer of a qualified residential project seeking an award of credits towards the funding of its incentive grant shall submit an incentive grant application prior to July 1, 2016 and if approved after September 18, 2013, the effective date of P.L.2013, c.161 (C.52:27D-489p et al.) shall submit a temporary certificate of occupancy for the project no later than July 28, 2019. The developer of a mixed use parking project seeking an award of credits towards the funding of its incentive grant pursuant to subparagraph (c) of this paragraph and if approved after the effective date of P.L.2015, c.217, shall submit a temporary certificate of occupancy for the project no later than July 28, 2021. <u>The developer of a qualified residential project or a mixed use parking project seeking an award of credits toward the funding of its incentive grant for a project restricted under category (viii) of subparagraph (b) of this paragraph shall submit an incentive grant application prior to July 1, 2018, and if approved after the effective date of P.L.   , c.   (C.   ) (pending before the Legislature as this bill), shall submit a temporary certificate of occupancy for the project no later than July 28, 2021.</u> Applications for tax credits pursuant to this subsection relating to an ancillary infrastructure project or infrastructure improvement in the public right-of-way, or both, shall be accompanied with a letter of support relating to the project or improvement by the governing body or agency in which the project is located. Credits awarded to a developer pursuant to this subsection shall be subject to the same financial and related analysis by the authority, the same term of the grant, and the same mechanism for administering the credits, and shall be utilized or transferred by the developer as if the credits had been awarded to the developer pursuant to section 35 of P.L.2009, c.90 (C.34:1B-209.3) for qualified residential projects thereunder. No portion of the revenues pledged pursuant to the "New Jersey Economic Opportunity Act of 2013," P.L.2013, c.161 (C.52:27D-489p et al.) shall be subject to withholding or retainage for adjustment, in the event the developer or taxpayer waives its rights to claim a refund thereof.

(4) A developer may apply to the Director of the Division of Taxation in the Department of the Treasury and the chief executive officer of the authority for a tax credit transfer certificate, if the developer is awarded a tax credit pursuant to paragraph (2) or paragraph (3) of this subsection, covering one or more years, in lieu of the developer being allowed any amount of the credit against the tax liability of the developer. The tax credit transfer certificate, upon receipt thereof by the developer from the director and the chief executive officer of the authority, may be sold or assigned, in full or in part, to any other person who may have a tax liability pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5), sections 2 and 3 of P.L.1945, c.132 (C.54:18A-2 and C.54:18A-3), section 1 of P.L.1950, c.231 (C.17:32-15), or N.J.S.17B:23-5. The certificate provided to the developer shall include a statement waiving the developer's right to claim that amount of the credit against the taxes that the developer has elected to sell or assign. The sale or assignment of any amount of a tax credit transfer certificate allowed under this paragraph shall not be exchanged for consideration received by the developer of less than 75 percent of the transferred credit amount before considering any further discounting to present value that may be permitted. Any amount of a tax credit transfer certificate used by a purchaser or assignee against a tax liability shall be subject to the same limitations and conditions that apply to the use of the credit by the developer who originally applied for and was allowed the credit.

c. All administrative costs associated with the incentive grant shall be assessed to the applicant and be retained by the State Treasurer from the annual incentive grant payments.

d. The incremental revenue for the revenues listed in subsection a. of this section shall be calculated as the difference between the amount collected in any fiscal year from any eligible revenue source included in the State redevelopment incentive grant agreement, less the revenue increment base for that eligible revenue.

e. The municipality is authorized to collect any information necessary to facilitate grants under this program and remit that information in order to assist in the calculation of incremental revenue.

(cf: P.L.2016, c.51, s.1)

2. This act shall take effect immediately.

STATEMENT

This bill increases the overall value of all tax credits that the New Jersey Economic Development Authority (EDA) may award under the Economic Redevelopment and Growth Grant (ERG) program to developers of certain qualified residential projects, projects involving university infrastructure, and mixed use parking projects. The bill restricts the award of the additional tax credits authorized by the bill to qualified residential projects and mixed use parking projects located in certain Garden State Growth Zones, and requires the developers seeking an award of the additional tax credits to meet certain application and project completion deadlines.

Under current law, the authority is permitted to award ERG program tax credits to developers for a percentage of total project costs that are incurred in connection with certain qualified residential projects, projects involving university infrastructure, and mixed use parking projects. Current law limits the overall value of all tax credits that can be awarded to developers for these projects to not more than $718 million over the life of the program, and allocates certain portions of the authorized tax credits to specific geographic regions and categories of eligible projects.

This bill increases the current limit imposed on the overall value of all tax credits that can be awarded to developers under the program to $823 million. In doing so, the bill restricts the award of the $105 million in additional tax credits to qualified residential projects and mixed use parking projects located in certain Garden State Growth Zones having a population in excess of 125,000, and requires the developer of a project seeking an award of the additional tax credits authorized by the bill to submit an incentive grant application prior to July 1, 2018, and if approved, to submit a temporary certificate of occupancy for the project no later than July 28, 2021.

The bill is scheduled to take effect immediately upon enactment.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 4501

STATE OF NEW JERSEY

DATED: JANUARY 30, 2017

The Assembly Appropriations Committee reports favorably Assembly Bill No. 4501.

This bill increases the overall value of all tax credits that the New Jersey Economic Development Authority (EDA) may award under the Economic Redevelopment and Growth (ERG) program to developers of certain qualified residential projects, projects involving university infrastructure, and mixed use parking projects. The bill restricts the award of the additional tax credits authorized by the bill to qualified residential projects and mixed use parking projects located in certain Garden State Growth Zones, and requires the developers seeking an award of the additional tax credits to meet certain application and project completion deadlines.

Under current law, the authority is permitted to award ERG program tax credits to developers for a percentage of total project costs that are incurred in connection with certain qualified residential projects, projects involving university infrastructure, and mixed use parking projects. Current law limits the overall value of all tax credits that can be awarded to developers for these projects to not more than $718 million over the life of the program, and allocates certain portions of the authorized tax credits to specific geographic regions and categories of eligible projects.

This bill increases the current limit imposed on the overall value of all tax credits that can be awarded to developers under the program to $823 million. In doing so, the bill restricts the award of the $105 million in additional tax credits to qualified residential projects and mixed use parking projects located in certain Garden State Growth Zones having a population in excess of 125,000, and requires the developer of a project seeking an award of the additional tax credits authorized by the bill to submit an incentive grant application prior to July 1, 2018, and if approved, to submit a temporary certificate of occupancy for the project no later than July 28, 2021.

As reported, this bill is identical to Senate Bill No. 2868 (1R), as reported by the committee.

FISCAL IMPACT:

The Office of Legislative Services (OLS) expects the bill will produce a negative fiscal net impact of an indeterminate magnitude to the State. This expectation is due to the fact that the ERG program does not require eligible projects receiving tax credits to yield a net fiscal benefit to the State.

The inability of the OLS to quantify the bill's fiscal net impact is the result of insufficient information regarding: the number and attributes of projects in eligible Garden State Growth Zones that are likely to be awarded tax credits as a result of the bill and the potential State tax revenue that may be replaced by ERG program tax credit awards to projects in the eligible zones.

In general, the State fiscal net impact is calculated by adding the direct revenue loss from awarding up to $105 million in ERG program tax credits to certain projects in eligible zones and their indeterminate opportunity costs and subtracting from that sum the indeterminate indirect revenue gain that will accrue from additional economic activity the additional tax credit awards will catalyze.

The bill may accrue an indeterminate revenue gain to affected local governments in the form of an indirect revenue gain from recipients of such tax credit awards spending amounts realized from incentives in New Jersey on goods and services that would not have been purchased absent the tax credit award.

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 4501
STATE OF NEW JERSEY
217th LEGISLATURE

DATED: FEBRUARY 1, 2017

SUMMARY

Synopsis:	Increases value of Economic Redevelopment and Growth Grant program residential tax credits to $823 million; restricts $105 million of tax credits to qualified residential projects and mixed use parking projects.
Type of Impact:	Reduced State revenue; potential revenue increase to affected local governments.
Agencies Affected:	New Jersey Economic Development Authority. Department of the Treasury. Certain Local Governments.

Office of Legislative Services Estimate

Fiscal Impact	**Multi-Year Lifespan of Tax Credits**
State Revenue Decrease	Up to $105,000,000
Local Revenue Increase	Indeterminate – See comments below

- The Office of Legislative Services (OLS) finds that, aggregated over several years, the bill will reduce State revenue by up to $105 million, the amount of additional Economic Redevelopment and Growth Grant (ERG) tax credits permitted under the bill. Taxpayers will use the credits in 10 annual installments following project completion, which must occur by the bill's 2021 deadline. The annual revenue reduction will be no more than $10.5 million.

- This reduction in revenue is expected to be offset to some degree by increased State revenues resulting from the economic activity incentivized by tax credit-receiving projects. The amount of that additional offsetting revenue may be less than $105 million because the ERG program does not require residential, tax credit-receiving projects to yield a net positive fiscal benefit to the State.

- The legislation might accrue an indeterminate revenue gain to affected local governments if the bill results in the New Jersey Economic Development Authority (EDA) extending financial assistance to redevelopment projects that would not be undertaken absent the assistance and if the redevelopment projects involve value-increasing improvements to taxable real estate.

Office of Legislative Services
State House Annex
P.O. Box 068
Trenton, New Jersey 08625

– OLS –

Legislative Budget and Finance Office
Phone (609) 847-3105
Fax (609) 777-2442
www.njleg.state.nj.us

BILL DESCRIPTION

Assembly Bill No. 4501 of 2016 increases by $105 million, from $718 million to $823 million, the overall value of all tax credits that the EDA may award under the ERG program to developers of certain qualified residential projects, projects involving university infrastructure, and mixed use parking projects. The bill restricts the additional tax credit awards to qualified residential projects and mixed use parking projects located in the City of Paterson. The application deadline for the additional tax credits is July 1, 2018 and projects must obtain temporary certificates of occupancy by July 28, 2021.

In general, ERG tax credit awards are authorized for taxpayer use in up to 10 equal annual installments following project completion, must close a project financing gap that otherwise would be likely to prevent a project's realization, and cannot exceed 30 percent of total project cost in conjunction with any municipal ERG award (or 40 percent in one of the five designated Garden State Growth Zone municipalities: the cities of Atlantic City, Camden, Passaic, Paterson, and Trenton). The application deadline for all projects unaffected by this bill was July 1, 2016 and projects must obtain temporary certificates of occupancy by July 28, 2019 or July 28, 2021 depending on the date of EDA approval of ERG tax credits for the project. Projects receiving ERG tax credits are not required to generate fiscal benefits to the State in excess of the incentive amount.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds that, aggregated over several years, the bill will reduce State revenue by up to $105 million, the amount of additional ERG tax credits permitted under the bill. This reduction is expected to be offset to some degree by increased State revenues resulting from the economic activity incentivized by tax credit-receiving projects. The amount of that additional offsetting revenue may be less than $105 million because the ERG program does not require residential, tax credit-receiving projects to yield a net positive fiscal benefit to the State.

The ERG credits are to begin being awarded upon enactment of the bill; however, the bill also requires any project to be completed with a certificate of occupancy no later than July 28, 2021. Completion of the project is the point at which the tax credit award may begin to be redeemed by the award recipient. The tax credits are to be taken in 10 equal annual installments. This means that between the effective date of the bill and the 2021 project completion deadline, the $105 million in credits will need to be awarded and begin redemption. Assuming all credits are both awarded and completed within the deadline, credit redemption will have fully phased-in and begun being redeemed at a full rate of $10.5 million per year starting in 2021. By 2031, 10 years following the date when projects must be completed, the tax credit awards will have been fully redeemed and there will no longer be a reduction in revenue.

The ERG tax credits are awarded for redevelopment projects that are expected to result in increased employment in the construction industry and positive State tax revenue, including, from income taxes on employees as well as any applicable sales tax on construction materials. Once the projects are complete, the State is expected to realize additional indirect revenue from any new residents who move into the area as a result of the projects, as well as economic activity generated by businesses providing services or jobs for those new residents.

The amount of benefit from this new economic activity may be less than the $105 million cost of the tax credits because the ERG program does not require recipients of residential tax credit-receiving projects to pass a net benefits test. The net benefits test is a calculation made by the EDA to measure the total State revenue that will be generated by an incentivized project to ensure that the State will realize a positive return on its investment of economic development incentives. By not subjecting a project to a net benefits requirement, it is possible that a project will generate an amount of State revenue below the amount provided to the project in tax credits, resulting in a net revenue loss to the State. The amount of that net loss cannot be known due to a lack of information on the attributes of projects that may be granted the $105 million in additional tax credits.

The legislation might also accrue an indeterminate revenue gain to affected local governments if the bill results in the EDA extending financial assistance to redevelopment projects that would not be undertaken absent the assistance and if the redevelopment projects involve value-increasing improvements to taxable real estate.

In general, the OLS notes that only the indirect revenue to be realized from redevelopment projects that will be incentivized by the tax credits can be attributed to the bill. In contrast, whenever the State will subsidize a project that a taxpayer will undertake with or without the public assistance, the financial inducement will not cause the project's realization. As a result, none of the project's economic and fiscal feedback effects will be attributable to the incentive, and therefore will have to be excluded from the tabulation of the incentive's indirect fiscal benefits.

Section:	*Authorities, Utilities, Transportation and Communications*
Analyst:	*Kevin J. Donahue* *Lead Research Analyst*
Approved:	*Frank W. Haines III* *Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

Governor Christie Takes Action On Pending Legislation

Monday, May 1, 2017 Tags: Addiction Taskforce

Trenton, NJ - Governor Chris Christie signed into law today several bills to empower New Jersey's military members and veterans, including a bipartisan initiative to create the "Veterans Diversion Program."

The new law, S-307/A-4362 (Van Drew, Allen/Andrzejczak, Mazzeo, Land, Tucker, Benson, Bramnick), requires the New Jersey Department of Military and Veterans Affairs to collaborate with its federal counterpart and develop a statewide program providing appropriate case management and mental health services to eligible military service members who have committed nonviolent offenses. The department will publicize a directory of existing federal and State case management and mental health program locations, which will serve as points of entry to facilitate support and services.

"It is impossible to imagine the courage, sacrifices and experiences of the men and women who put their lives on the line to protect the American people and our freedom," Governor Christie said. "This critical legislation gives back by supporting New Jersey's military service members when they need it most and when their lives depend on it. This new program will strengthen families and communities, by empowering veterans with individualized, holistic care and steering them clear of the criminal justice system."

Other military and veterans' bills signed by Governor Christie today require the Department of Military and Veterans Affairs (DMAVA) to develop an informational website for Gold Star families; require DMAVA to notify local county veterans' affairs offices and State veterans service offices of the death of a New Jersey or other service member whose surviving beneficiary resides in the State in order to inform the beneficiaries of federal and state benefits and creates a designated Gold Star family member liaison for each county veterans' office; and, retains eligibility for New Jersey National Guard members or reserve components of the U.S. Armed Forces called to active federal military service who met maximum age requirements at the closing date of civil service examinations.

Governor Christie also took action on the following bills:

BILL SIGNINGS:

S-158/A-3631 (Madden, Cruz-Perez/Quijano, Schaer, Vainieri Huttle, Zwicker, Mukherji, Danielsen) - Permits holding companies of eligible New Jersey emerging technology companies to receive investments under "New Jersey Angel Investor Tax Credit Act"

S-227/A-963 (Holzapfel, Allen/Wolfe, McGuckin, Dancer) - Requires DOT, NJTA, and SJTA to use only native vegetation for landscaping, land management, reforestation, or habitat restoration

S-518/A-4452 (Beck/Downey, Houghtaling, Benson, Mukherji, Vainieri Huttle) - Requires sanitation vehicles display flashing lights in certain circumstances and imposes conditions on drivers approaching sanitation vehicles displaying flashing lights; designated as "Michael Massey's Law"

S-724/A-3604 (Cruz-Perez, Allen/Eustace, Wolfe, Mukherji) - Establishes "Integrated Roadside Vegetation Management Program"

S-792/A-1271 (Sarlo/ Caride, Schaer, Pintor Marin) - Permits newly created regional school districts or enlarging regional school districts to determine apportionment methodology for their boards of education on basis other than population

S-913/A-3404 (Codey, Vitale/Burzichelli, Coughlin, Schaer, Singleton) - Permits hospitals to establish system for making performance-based incentive payments to physicians

S-1059/A-4462 (Diegnan/Lagana, Vainieri Huttle, Mukherji) - Permits amusement games license to be issued to holder of alcoholic beverage special concessionaire permit at certain airports; allows licensees to offer electronic amusements under certain circumstances

S-1398/A-1447 (Weinberg, Gill/Lampitt, Spencer, Vainieri Huttle, McKeon, Mukherji, Holley, Caride, Downey) - Expands infertility coverage under certain health insurance plans

S-1404/A-4423 (Weinberg/Johnson, Benson, Mukherji, Handlin) - Requires governmental affairs agents to disclose on notice of representation form compensation amount received from State or local government entities; requires notice to be posted on Internet site of Election Law Enforcement Commission

S-1475/A-3304 (Ruiz, Vitale/Vainieri Huttle, Mukherji, Holley, Jimenez) - Establishes three-year Medicaid home visitation demonstration project

S-1634/A-3991 (Turner, Stack/Muoio, Wimberly, Johnson, Pintor Marin, Mukherji) - Requires housing authority to advertise when applications are being accepted for housing assistance waiting lists online

S-1761/A-4473 (Rice, Cunningham, Pou/Johnson, Wimberly, Pintor Marin) - Directs Community College Consortium for Workforce and Economic Development to promote basic skills training through organizations dedicated to the economic empowerment of specific segments of society, such as the African American Chamber of Commerce

S-1825/A-3432 (Sarlo, Cruz-Perez, Gordon/Greenwald, Lampitt, Benson, Caride, Chiaravalloti) - Establishes task force to study and make recommendations concerning mobility and support services needs of NJ adults with autism spectrum disorder

S-1856/A-3846 (Pou, Allen/Phoebus, Tucker, Space) - Provides for retained eligibility for members of NJ National Guard or reserve component of US Armed Forces called to active federal military service who met maximum age requirement at closing date of civil service examination

S-2286/A-3083 (Weinberg, Gordon/Vainieri Huttle, Eustace, Johnson) - Establishes Mike Adler Aphasia Task Force to assess needs of persons with aphasia, and their families, and ensure adequate provision of support services and information thereto

S-2414/A-4056 (Scutari/Jimenez, Eustace, Giblin, McKnight) - Requires "Massage and Bodywork Therapist Licensing Act" to require certain class study and examination requirements

S-2856/A-4402 (Beach, Madden/Greenwald, Andrzejczak, Johnson, Rible, Jones, Land, Houghtaling, Benson) - Requires DMVA to notify county veterans' affairs office of death of certain military service members; requires office to have Gold Star liaisons

S-2857/A-4403 (Beach, Madden/Greenwald, Rible, Land, Johnson, Mazzeo, Andrzejczak, Houghtaling, Benson) - Requires Adjutant General to create informational webpage for Gold Star families

S-2868/A-4501 (Pou, Sarlo/Sumter, Wimberly) - Increases value of Economic Redevelopment and Growth Grant program residential tax credits to $823 million; restricts $105 million of tax credits to qualified residential projects and mixed use parking projects

S-3015/A-4623 (Rice, Ruiz/Sumter, Oliver, Schaer, Pintor Marin) - Requires study of program allowing community service in lieu of paying motor vehicle surcharges

SJR-49/AJR-106 (Ruiz, Oroho/Phoebus, Pintor Marin, Space, McKnight, Schepisi) - Designates third week in September of each year as Go Gold for Kids with Cancer Awareness Week"

SJR-75/AJR- 122 (Rice, Codey/Oliver, Giblin, Chiaravalloti, Sumter, Quijano, McKnight) - Establishes "Disparity in State Procurement Study Commission"

BILLS VETOED:

S-596/A-3422 (Cunningham, Greenstein, Sweeney/Benson, Mukherji, Muoio, Holley, Sumter, Downey, Lampitt, Oliver, Danielsen, Wimberly) - CONDITIONAL - Establishes compensation program for law enforcement officers and certain other employees injured while performing official duties

S-690/A-2921 **(Gordon, Beach, Eustace, Houghtaling, Pinkin, Mazzeo) - CONDITIONAL -** Increases flexibility, clarity, and available tools of optional municipal consolidation process

SCS for S-895/ACS **for A-2182 (Lesniak, Beck, Cunningham/Sumter, Holley, Oliver, Jones, Wimberly) - CONDITIONAL** - "Earn Your Way Out Act"; requires DOC to develop inmate reentry plan; establishes administrative parole release for certain inmates; requires study and report by DOC on fiscal impact

S-956/A-2202 **(Gordon, Bateman/Eustace, Zwicker, O'Scanlon, Downey, Wisniewski, Pinkin) - CONDITIONAL** - Authorizes special emergency appropriations for the payment of certain expenses incurred by municipalities to implement a municipal consolidation

S-2844/A-4425 **(Vitale, Codey/Vainieri Huttle, Muoio, Eustace, Space, Benson) - CONDITIONAL** - Eliminates certificate of need requirement for inpatient hospital beds for treatment of psychiatric and substance use disorder dual diagnosis

S-3041/ACS **for A-2338 (Lesniak/Benson, Vainieri Huttle, Eustace, Gusciora, Mukherji, Jimenez) - CONDITIONAL** - Revises "Pet Purchase Protection Act" to establish new requirements for pet dealers and pet shops

S-3048/A-4520 **(Weinberg, Turner, Greenstein/McKeon, Singleton, Moriarty, Quijano, Johnson, Benson) - CONDITIONAL** - Requires candidates for President and Vice-President of United States to disclose federal income tax returns to appear on ballot; prohibits Electoral College electors from voting for candidates who fail to file income tax returns

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Press Contact:
Brian Murray
609-777-2600