

SENATE, No. 322

STATE OF NEW JERSEY 209th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2000 SESSION

Sponsored by:

Senator RONALD L. RICE

District 28 (Essex)

Senator JAMES S. CAFIERO

District 1 (Cape May, Atlantic and Cumberland)

Co-Sponsored by:

**Senators Lesniak, Furnari, Bryant, Girgenti, Sacco, O'Connor, Lynch,
Kenny, Codey, Turner, Adler, Singer, Zane and Ciesla**

SYNOPSIS

Directs UEZA to establish permanent enterprise zones.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



1 AN ACT concerning the "New Jersey Urban Enterprise Zones Act,"
2 amending and supplementing P.L.1983, c.303 (C.52:27H-60 et
3 seq.).

4
5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:

7
8 1. Section 7 of P.L.1983, c.303 (C.52:27H-66) is amended to read
9 as follows:

10 7. The authority shall designate enterprise zones from among those
11 areas of qualifying municipalities determined to be eligible pursuant to
12 this act. No more than 27 enterprise zones shall be in effect at any one
13 time. No more than one enterprise zone shall be designated in any one
14 municipality. **[Any] Except as otherwise provided by section 4 of P.L.**
15 **, c. (C.) (now before the Legislature as this bill), any**
16 designation granted shall be for a period of 20 years and shall not be
17 renewed at the end of that period. In designating enterprise zones the
18 authority shall seek to avoid excessive geographic concentration of
19 zones in any particular region of the State. At least six of the 10
20 additional enterprise zones authorized pursuant to section 3 of
21 P.L.1993, c.367 shall be located in counties in which enterprise zones
22 have not previously been designated and shall be designated within 90
23 days of the date of the submittal of an application and zone
24 development plan. The authority shall accept applications within 90
25 days of the effective date of P.L.1993, c.367. Notwithstanding the
26 provisions of P.L.1983, c.303 (C.52:27H-60 et seq.) to the contrary,
27 the six additional enterprise zones to be designated by the authority
28 pursuant to the criteria for priority consideration in this section shall
29 be entitled to an exemption to the extent of 50% of the tax imposed
30 under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et
31 seq.). The following criteria shall be utilized in according priority
32 consideration for designation of these zones by the authority:

33 a. One zone shall be located in a county of the second class with
34 a population greater than 595,000 and less than 675,000 according to
35 the latest federal decennial census and shall be located in the qualifying
36 municipality in that county with the highest annual average number of
37 unemployed persons and the highest average annual unemployment
38 rate for the 1992 calendar year according to the estimate by the State
39 Department of Labor;

40 b. Two zones shall be located in a county of the second class with
41 a population greater than 445,000 and less than 455,000 according to
42 the latest federal decennial census, one of which shall be located in the
43 qualifying municipality in that county with the highest annual average

EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.

Matter underlined thus is new matter.

1 number of unemployed persons and the highest average annual
2 unemployment rate for the 1992 calendar year according to the
3 estimate by the State Department of Labor, and one of which shall be
4 located in the qualifying municipality in that county with the second
5 highest annual average number of unemployed persons and the second
6 highest average annual unemployment rate for the 1992 calendar year
7 according to the estimate by the State Department of Labor;

8 c. One zone shall be located in a county of the third class with a
9 population greater than 84,000 and less than 92,000 according to the
10 latest federal decennial census and shall be located in the qualifying
11 municipality in that county with the highest annual average number of
12 unemployed persons and the highest average annual unemployment
13 rate for the 1992 calendar year according to the estimate by the State
14 Department of Labor;

15 d. One zone shall be located within two noncontiguous qualifying
16 municipalities but comprised of not more than two noncontiguous
17 areas each having a continuous border, if:

18 (1) both municipalities are located in the same county which shall
19 be a county of the fifth class with a population greater than 500,000
20 and less than 555,000 according to the latest federal decennial census;

21 (2) the two municipalities submit a joint application and zone
22 development plan; and

23 (3) each of the municipalities has a population greater than 16,000
24 and less than 30,000 and a population density of more than 5,000
25 persons per square mile, according to the latest federal decennial
26 census; and

27 e. One zone shall be located within a municipality having a
28 population greater than 38,000 and less than 46,000 according to the
29 latest federal decennial census if the municipality is located within a
30 county of the fifth class with a population greater than 340,000 and
31 less than 440,000 according to the latest federal decennial census.

32 (cf: P.L.1995, c.382, s.1)

33

34 2. Section 21 of P.L.1983, c.303 (C.52:27H-80) is amended to
35 read as follows:

36 21. Receipts of retail sales, except retail sales of motor vehicles, of
37 alcoholic beverages as defined in the "Alcoholic Beverage Tax Law,"
38 R.S.54:41-1 et seq., of cigarettes as defined in the "Cigarette Tax
39 Act," P.L.1948, c.65 (C.54:40A-1 et seq.), of manufacturing
40 machinery, equipment or apparatus, and of energy, made by a certified
41 vendor from a place of business owned or leased and regularly
42 operated by the vendor for the purpose of making retail sales, and
43 located in a designated enterprise zone established pursuant to the
44 "New Jersey Urban Enterprise Zones Act," P.L.1983, c.303
45 (C.52:27H-60 et al.), are exempt to the extent of 50% of the tax
46 imposed under the "Sales and Use Tax Act," P.L.1966, c.30

1 (C.54:32B-1 et seq.).

2 Receipts of retail sales by restaurants of meals and non-alcoholic
3 beverages in designated enterprise zones established pursuant to
4 P.L.1983, c.303 (C.52:27H-60 et al.) or in permanent enterprise zones
5 designated by the authority pursuant to section 4 of P.L. , c.
6 (C.) (now before the Legislature as this bill), are exempt to the
7 extent of 50% of the tax imposed under the "Sales and Use Tax Act,"
8 P.L.1966, c.30 (C.54:32B-1 et seq.).

9 Any vendor, which is a qualified business having a place of business
10 located in a designated enterprise zone, may apply to the Director of
11 the Division of Taxation in the Department of the Treasury for
12 certification pursuant to this section. The director shall certify a
13 vendor if he shall find that the vendor owns or leases and regularly
14 operates a place of business located in the designated enterprise zone
15 for the purpose of making retail sales, that items are regularly
16 exhibited and offered for retail sale at that location, and that the place
17 of business is not utilized primarily for the purpose of catalogue or
18 mail order sales. The certification under this section shall remain in
19 effect during the time the business retains its status as a qualified
20 business meeting the eligibility criteria of section 27 of P.L.1983,
21 c.303 (C.52:27H-86). However, the director may at any time revoke
22 a certification granted pursuant to this section if he shall determine
23 that the vendor no longer complies with the provisions of this section.

24 Notwithstanding the provisions of this act to the contrary, except
25 as may otherwise be provided by section 7 of P.L.1983, c.303
26 (C.52:27H-66), the authority may, in its discretion, determine whether
27 or not the provisions of this section shall apply to any enterprise zone
28 designated after the effective date of P.L.1985, c.142 (C.52:27H-66
29 et al.); provided, however, that the authority may make such a
30 determination only where the authority finds that the award of an
31 exemption of 50 percent of the tax imposed under the "Sales and Use
32 Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.) will not have any
33 adverse economic impact upon any other urban enterprise zone.

34 Notwithstanding any other provisions of law to the contrary, except
35 as provided in subsection b. of section 6 of P.L.1996, c.124
36 (C.13:1E-116.6), after first depositing 10 percent of the gross amount
37 of all revenues received from the taxation of retail sales made by
38 certified vendors from business locations in designated enterprise
39 zones to which this exemption shall apply into the account created in
40 the name of the authority in the enterprise zone assistance fund
41 pursuant to section 29 of P.L.1983, c.303 (C.52:27H-88), the
42 remaining 90 percent shall be deposited immediately upon collection
43 by the Department of the Treasury, as follows:

44 a. In the first five-year period during which the State shall have
45 collected reduced rate revenues within an enterprise zone, all such
46 revenues shall be deposited in the enterprise zone assistance fund

1 created pursuant to section 29 of P.L.1983, c.303 (C.52:27H-88);

2 b. In the second five-year period during which the State shall have
3 collected reduced rate revenues within an enterprise zone, 66 2/3% of
4 all those revenues shall be deposited in the enterprise zone assistance
5 fund, and 33 1/3% shall be deposited in the General Fund;

6 c. In the third five-year period during which the State shall have
7 collected reduced rate revenues within an enterprise zone, 33 1/3% of
8 all those revenues shall be deposited in the enterprise zone assistance
9 fund, and 66 2/3% shall be deposited in the General Fund;

10 d. In the final five-year period during which the State shall have
11 collected reduced rate revenues within an enterprise zone, but not to
12 exceed the life of the enterprise zone, all those revenues shall be
13 deposited in the General Fund[.];

14 e. Commencing on the date on which the authority designates a
15 permanent enterprise zone pursuant to section 4 of P.L. , c. (C.)
16 (now before the Legislature as this bill), all reduced rate revenues
17 which the State shall collect within the permanent enterprise zone shall
18 be deposited in the enterprise zone assistance fund created pursuant to
19 section 29 of P.L.1983, c.303 (C.52:27H-88). Such revenues shall
20 continue to be deposited in the enterprise zone assistance fund as long
21 as the zone retains its designation as a permanent enterprise zone.

22 Commencing on the effective date of P.L.1993, c.144, all revenues
23 in any enterprise zone to which the provisions of this section have
24 been extended prior to the enactment of P.L.1993, c.144 shall be
25 deposited into the enterprise zone assistance fund until there shall have
26 been deposited all revenues into that fund for a total of five full years,
27 as set forth in subsection a. of this section. The State Treasurer then
28 shall proceed to deposit funds into the enterprise zone assistance fund
29 according to the schedule set forth in subsections b. through d. of this
30 section, beginning at the point where the enterprise zone was located
31 on that schedule on the effective date of P.L.1993, c.144. No
32 enterprise zone shall receive the deposit benefit granted by any one
33 subsection of this section for more than five cumulative years.

34 The revenues required to be deposited in the enterprise zone
35 assistance fund under this section shall be used for the purposes of that
36 fund and for the uses prescribed in section 29 of P.L.1983, c.303
37 (C.52:27H-88), subject to annual appropriations being made for those
38 purposes and uses.

39 (cf: P.L.1997, c.162, s.32)

40

41 3. Section 27 of P.L.1983, c.303 (C.52:27H-86) is amended to
42 read as follows:

43 27. To be eligible for any of the incentives provided under this act
44 a qualified business must demonstrate to the satisfaction of the
45 authority that:

46 a. The business will create new employment in the municipality;

1 b. The business will not create unemployment in other areas of the
2 State, including the municipality in which the zone is located.

3 c. For the purposes of eligibility for the incentives provided under
4 sections 17, 19, 20, and 21 of P.L.1983, c.303 (C.52:27H-76,
5 52:27H-78, 52:27H-79, and 52:27H-80, respectively), a qualified
6 business shall not be required to meet the requirements of subsection
7 a. of this section, if:

8 (1) [At the time of designation of the enterprise zone or at the time
9 zone designation is extended by expansion to the location of a
10 business, the qualified business had been engaged in the active conduct
11 of a trade or business in that zone or in the added area of that zone for
12 at least one year prior to that designation or expansion;] Deleted by
13 amendment, (P.L. _____)

14 (2) The qualified business employs fewer than 50 employees;

15 (3) The qualified business has entered into an agreement[,
16 approved by the authority,] with the governing body of the qualifying
17 municipality, or an officer or agent of the municipality designated by
18 the governing body, in which the enterprise zone is located, under
19 which the qualified business agrees to undertake an investment in the
20 enterprise zone in lieu of the employment of new employees. An
21 investment permitted under an agreement shall be in an amount and of
22 a nature which the municipal governing body and the authority find
23 shall contribute substantially to the economic attractiveness of the
24 enterprise zone, and may include, but shall not be limited to:

25 (a) The improvement of the exterior appearance or customer
26 facilities of the property constituting the place of business of the
27 qualified business within the zone; provided that the improvement is
28 of a permanent nature and not required to meet existing ordinances or
29 code regulations; or

30 (b) Monetary contributions to the qualifying municipality to
31 undertake improvements to increase the safety or attractiveness of the
32 zone to businesses which may wish to locate there or to consumer
33 visitors to the zone, including, but not limited to litter clean-up and
34 control, landscaping, parking areas and facilities, recreational and rest
35 areas and facilities, repair or improvements to public streets, curbing,
36 sidewalks and pedestrian thoroughfares, street lighting, or increased
37 police, fire or sanitation services in the enterprise zone.

38 In order to meet the requirements of paragraph (3) of this
39 subsection, an investment shall be in an amount no less than \$5,000.00
40 if the qualified business employs 10 or fewer employees, or if the
41 qualified business employs more than 10 employees, not less than the
42 amount produced by multiplying the number of employees employed
43 by the qualified business by \$500.00. A qualified business shall be
44 required to make an investment for each year the qualified business
45 does not meet the requirements of subsection a. of this section. In
46 order to receive the incentives permitted by this section, the business

1 shall provide written evidence of the investment to the authority.
2 (cf: P.L.1993, c.367, s.8)

3
4 4. (New section) a. Notwithstanding the provisions of any law,
5 rule, regulation or order to the contrary, an enterprise zone designated
6 by the authority pursuant to P.L.1983, c.303 (C.52:27H-60 et seq.),
7 which is located in a municipality in which the annual average of
8 unemployed persons is equal to or greater than 2,000, or the municipal
9 average annual unemployment rate exceeds the State average annual
10 unemployment rate, or an enterprise zone which is located in a
11 municipality contiguous to a municipality in which an enterprise zone
12 is designated pursuant to P.L.1983, c.303 (C.52:27H-60 et al.) and in
13 which the annual average of unemployed persons is equal to or greater
14 than 2,000 or the municipal average annual unemployment rate
15 exceeds the State average annual unemployment rate, shall be
16 designated by the authority as a permanent enterprise zone within 90
17 days after the effective date of P.L. , c. (C.) (now before the
18 Legislature as this bill).

19 b. During the 90 day period provided for in subsection a. of this
20 section, the authority shall notify all qualified businesses in a
21 permanent enterprise zone that the benefits authorized by sections 16
22 through 20 of P.L.1983, c.303 (C.52:27H-75 et seq.) shall be extended
23 to qualified businesses in a permanent enterprise zone commencing
24 with the designation of a permanent enterprise zone and continuing as
25 long as a zone retains its designation as a permanent enterprise zone.

26 c. The authority shall also notify all qualified businesses in a
27 permanent enterprise zone that the exemption of 50 percent of the tax
28 imposed under the "Sales and Use Tax Act," P.L.1966, c.30
29 (C.54:32B-1 et seq.) authorized by the provisions of section 21 of
30 P.L.1983, c.303 (C.52:27H-80) shall be extended to receipts of retail
31 sales within a permanent enterprise zone including, but not limited to,
32 retail sales by restaurants of meals and non-alcoholic beverages
33 commencing with the designation of a permanent enterprise zone and
34 continuing as long as a zone retains its designation as a permanent
35 enterprise zone.

36 d. The designation as a permanent enterprise zone pursuant to this
37 section shall terminate if the authority determines that the municipality
38 in which the zone is located fails to meet the criteria of subsection a.
39 of this section for three consecutive years. Any enterprise zone which
40 loses its designation as a permanent enterprise zone pursuant to this
41 subsection shall be eligible to apply to the authority for designation as
42 an urban enterprise zone pursuant to the provisions of P.L.1983, c.303
43 (C.52:27H-60 et al.). If the authority approves its application, an
44 urban enterprise zone designation may be extended to the applicant in
45 accordance with the schedules set forth in P.L.1983, c.303 (C.52:27H-
46 60 et al.), beginning at the point where the enterprise zone was located

1 on such schedules on the effective date of P.L. , c. (C.) (now
2 pending before the Legislature as this bill).

3
4 5. This act shall take effect immediately.

5
6
7 STATEMENT

8
9 This bill would require the New Jersey Urban Enterprise Zone
10 Authority (UEZA) to designate any enterprise zone which is located
11 in a municipality with an annual average of 2,000 or more unemployed
12 persons or with a municipal average annual unemployment rate
13 exceeding the State average annual unemployment rate or which is
14 located in a municipality contiguous to an enterprise zone municipality
15 with 2,000 or more unemployed persons or with a municipal average
16 annual unemployment rate exceeding the State average annual
17 unemployment rate, as a permanent enterprise zone within 90 days of
18 the effective date of the bill.

19 The bill provides that the exemption of 50 percent of the tax
20 imposed under the "Sales and Use Tax Act," P.L.1966, c.30
21 (C.54:32B-1 et seq.) would be extended to receipts of retail sales,
22 authorized by section 21 of P.L.1983, c.303 (C.52:27H-80), of meals
23 and non-alcoholic beverages by restaurants located within permanent
24 enterprise zones and within zones designated pursuant to P.L.1983,
25 c.303 (C.52:27H-60 et al.).

26 The bill would require the authority to notify all qualified businesses
27 within a permanent enterprise zone that they will receive zone benefits
28 authorized by sections 16 through 20 of P.L.1983, c.303 (C.52:27H-
29 75 et seq.) and that the 50 percent exemption of the sales tax
30 authorized by section 21 of P.L.1983, c.303 (C.52:27H-80) will be
31 extended to retail sales in the zone including sales of meals and non-
32 alcoholic beverages by restaurants.

33 The bill would require the total amount of reduced rate revenues
34 collected by the State within a permanent enterprise zone, based upon
35 the application of the 50 percent sales tax exemption, to be deposited
36 in the enterprise zone assistance fund commencing with the
37 designation as a permanent enterprise zone and continuing as long as
38 a zone retains its designation as a permanent enterprise zone.

39 The bill would delete the limitation that only businesses in a zone
40 or a zone expansion area that exist at the time of designation or
41 expansion can use investment rather than hiring as an alternate method
42 of qualifying for zone benefits.

43 In addition, the bill would authorize the governing body of a
44 municipality to designate an officer or agent to enter into agreements
45 with qualified businesses concerning investment in the municipality
46 instead of requiring approval by the authority for such agreements.

1 The bill provides that designation as a permanent enterprise zone
2 would terminate if the UEZA determines that the municipality in which
3 the zone is located fails to meet the criteria set forth in section 4 of the
4 bill for three consecutive years. Upon termination of permanent
5 enterprise zone designation, an enterprise zone would be authorized
6 to apply to the UEZA for designation as an urban enterprise zone
7 pursuant to P.L.1983, c.303 (C.52:27H-60 et al.) and to resume its
8 20-year designation as an urban enterprise zone if approved by the
9 UEZA.

10 Under the criteria set forth in the bill, all existing enterprise zones
11 designated pursuant to P.L.1983, c.303 (C.52:27H-60 et seq.) would
12 be eligible for designation by the UEZA as permanent enterprise
13 zones.

SENATE COMMITTEE SUBSTITUTE FOR
SENATE, No. 322

STATE OF NEW JERSEY
209th LEGISLATURE

ADOPTED JUNE 26, 2000

Sponsored by:

Senator RONALD L. RICE

District 28 (Essex)

Senator JAMES S. CAFIERO

District 1 (Cape May, Atlantic and Cumberland)

Co-Sponsored by:

**Senators Lesniak, Furnari, Bryant, Girgenti, Sacco, O'Connor, Lynch,
Kenny, Codey, Turner, Adler, Singer, Zane and Ciesla**

SYNOPSIS

Directs UEZA to establish extended enterprise zones.

CURRENT VERSION OF TEXT

Substitute as adopted by the Senate Economic Growth, Agriculture and
Tourism Committee.



1 AN ACT concerning extended urban enterprise zones, amending and
2 supplementing P.L.1983, c.303 (C.52:27H-60 et seq.).

3
4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6
7 1. Section 2 of P.L.1983, c.303 (C.52:27H-61) is amended to read
8 as follows:

9 2. The Legislature finds and determines:

10 a. That there persist in this State, particularly in its urban centers,
11 areas of economic distress characterized by high unemployment, low
12 investment of new capital, blighted conditions, obsolete or abandoned
13 industrial or commercial structures, and deteriorating tax bases.

14 b. That the severe and persistent deterioration of these areas
15 demands vigorous and coordinated efforts by private and public
16 entities to restore their prosperity and enable them to resume
17 significant contributions to the economic and social life of the State.

18 c. That the economic revitalization of these areas requires
19 application of the skills and entrepreneurial vigor of private
20 enterprise; and it is the responsibility of government to provide a
21 framework within which encouragement be given to private capital
22 investment in these areas, disincentives to investment be removed or
23 abated, and mechanisms be provided for the coordination and
24 cooperation of private and public agencies in restoring the economic
25 viability and prosperity of these areas.

26 d. That certain urban areas which continue to experience high
27 levels of unemployment should be able to continue to receive the
28 aforementioned assistance and incentives necessary to promote
29 economic revitalization of those areas.

30 (cf: P.L.1983, c. 303, s.2)

31

32 2. Section 4 of P.L.1983, c.303 (C.52:27H-63) is amended to read
33 as follows:

34 4.a. There is created the New Jersey Urban Enterprise Zone
35 Authority, which shall consist of:

36 (1) The Commissioner of the Department of Commerce, Energy
37 and Economic Development, who shall be chairman of the authority;

38 (2) The Commissioner of the Department of Community Affairs;

39 (3) The Commissioner of the Department of Labor;

40 (4) The State Treasurer; and

41 (5) Five public members not holding any other office, position or
42 employment in the State Government, nor any local elective office,
43 who shall be appointed by the Governor with the advice and consent

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.

1 of the Senate, and who shall be qualified for their appointments by
2 training and experience in the areas of local government finance,
3 economic development and redevelopment, or volunteer civic service
4 and community organization. No more than three public members shall
5 be of the same political party. At least one public member of the
6 authority shall reside within an enterprise zone; however, the
7 provisions of this section shall apply only to members appointed or
8 reappointed after the effective date of P.L. , c. (C.) (now
9 before the Legislature as this bill).

10 b. The public members of the authority shall serve for terms of five
11 years, except that of the members first appointed, one shall serve for
12 a term of one year, one shall serve for a term of two years, one shall
13 serve for a term of three years, one shall serve for a term of four years,
14 and one shall serve for a term of five years. Vacancies in the public
15 membership shall be filled in the manner of the original appointments
16 but for the unexpired terms.

17 c. An ex officio member of the authority may, from time to time,
18 designate in writing to the authority an official within his respective
19 department to attend and represent the department at the meetings of
20 the authority from which the ex officio member is absent, and that
21 designated representative shall be entitled to vote and otherwise act
22 for the ex officio member at those meetings.

23 (cf: P.L.1988, c.93, s.2)

24

25 3. Section 7 of P.L.1983, c.303 (C.52:27H-66) is amended to read
26 as follows:

27 7. The authority shall designate enterprise zones from among
28 those areas of qualifying municipalities determined to be eligible
29 pursuant to this act. No more than 27 enterprise zones shall be in
30 effect at any one time. No more than one enterprise zone shall be
31 designated in any one municipality. [Any] Except as otherwise
32 provided by section 5 of P.L. , c. (C.) (now before the
33 Legislature as this bill), any designation granted shall be for a period
34 of 20 years and shall not be renewed at the end of that period. In
35 designating enterprise zones the authority shall seek to avoid excessive
36 geographic concentration of zones in any particular region of the
37 State. At least six of the 10 additional enterprise zones authorized
38 pursuant to section 3 of P.L.1993, c.367 shall be located in counties
39 in which enterprise zones have not previously been designated and
40 shall be designated within 90 days of the date of the submittal of an
41 application and zone development plan. The authority shall accept
42 applications within 90 days of the effective date of P.L.1993, c.367.
43 Notwithstanding the provisions of P.L.1983, c.303 (C.52:27H-60 et
44 seq.) to the contrary, the six additional enterprise zones to be
45 designated by the authority pursuant to the criteria for priority
46 consideration in this section shall be entitled to an exemption to the

1 extent of 50% of the tax imposed under the "Sales and Use Tax Act,"
2 P.L.1966, c.30 (C.54:32B-1 et seq.). The following criteria shall be
3 utilized in according priority consideration for designation of these
4 zones by the authority:

5 a. One zone shall be located in a county of the second class with
6 a population greater than 595,000 and less than 675,000 according to
7 the latest federal decennial census and shall be located in the qualifying
8 municipality in that county with the highest annual average number of
9 unemployed persons and the highest average annual unemployment
10 rate for the 1992 calendar year according to the estimate by the State
11 Department of Labor;

12 b. Two zones shall be located in a county of the second class with
13 a population greater than 445,000 and less than 455,000 according to
14 the latest federal decennial census, one of which shall be located in the
15 qualifying municipality in that county with the highest annual average
16 number of unemployed persons and the highest average annual
17 unemployment rate for the 1992 calendar year according to the
18 estimate by the State Department of Labor, and one of which shall be
19 located in the qualifying municipality in that county with the second
20 highest annual average number of unemployed persons and the second
21 highest average annual unemployment rate for the 1992 calendar year
22 according to the estimate by the State Department of Labor;

23 c. One zone shall be located in a county of the third class with a
24 population greater than 84,000 and less than 92,000 according to the
25 latest federal decennial census and shall be located in the qualifying
26 municipality in that county with the highest annual average number of
27 unemployed persons and the highest average annual unemployment
28 rate for the 1992 calendar year according to the estimate by the State
29 Department of Labor;

30 d. One zone shall be located within two noncontiguous qualifying
31 municipalities but comprised of not more than two noncontiguous
32 areas each having a continuous border, if:

33 (1) both municipalities are located in the same county which shall
34 be a county of the fifth class with a population greater than 500,000
35 and less than 555,000 according to the latest federal decennial census;

36 (2) the two municipalities submit a joint application and zone
37 development plan; and

38 (3) each of the municipalities has a population greater than 16,000
39 and less than 30,000 and a population density of more than 5,000
40 persons per square mile, according to the latest federal decennial
41 census; and

42 e. One zone shall be located within a municipality having a
43 population greater than 38,000 and less than 46,000 according to the
44 latest federal decennial census if the municipality is located within a
45 county of the fifth class with a population greater than 340,000 and

1 less than 440,000 according to the latest federal decennial census.
2 (cf: P.L.1995, c.382, s.1)

3

4 4. Section 27 of P.L.1983, c.303 (C.52:27H-86) is amended to
5 read as follows:

6 27. To be eligible for any of the incentives provided under this act
7 a qualified business must demonstrate to the satisfaction of the
8 authority that:

9 a. The business will create new employment in the municipality;

10 b. The business will not create unemployment in other areas of the
11 State, including the municipality in which the zone is located.

12 c. For the purposes of eligibility for the incentives provided under
13 sections 17, 19, 20, and 21 of P.L.1983, c.303 (C.52:27H-76,
14 52:27H-78, 52:27H-79, and 52:27H-80, respectively), a qualified
15 business shall not be required to meet the requirements of subsection
16 a. of this section, if:

17 (1) ~~At the time of designation of the enterprise zone or at the~~
18 ~~time zone designation is extended by expansion to the location of a~~
19 ~~business, the qualified business had been engaged in the active conduct~~
20 ~~of a trade or business in that zone or in the added area of that zone for~~
21 ~~at least one year prior to that designation or expansion;~~ Deleted by
22 amendment, (P.L._____)

23 (2) The qualified business employs fewer than 50 employees;

24 (3) The qualified business has entered into an agreement[,
25 approved by the authority,] with the governing body of the qualifying
26 municipality, or an officer or agent of the municipality designated by
27 the governing body, in which the enterprise zone is located, under
28 which the qualified business agrees to undertake an investment in the
29 enterprise zone in lieu of the employment of new employees. An
30 investment permitted under an agreement shall be in an amount and of
31 a nature which the municipal governing body and the authority find
32 shall contribute substantially to the economic attractiveness of the
33 enterprise zone, and may include, but shall not be limited to:

34 (a) The improvement of the exterior appearance or customer
35 facilities of the property constituting the place of business of the
36 qualified business within the zone; provided that the improvement is
37 of a permanent nature and not required to meet existing ordinances or
38 code regulations; or

39 (b) Monetary contributions to the qualifying municipality to
40 undertake improvements to increase the safety or attractiveness of the
41 zone to businesses which may wish to locate there or to consumer
42 visitors to the zone, including, but not limited to litter clean-up and
43 control, landscaping, parking areas and facilities, recreational and rest
44 areas and facilities, repair or improvements to public streets, curbing,
45 sidewalks and pedestrian thoroughfares, street lighting, or increased
46 police, fire or sanitation services in the enterprise zone.

1 In order to meet the requirements of paragraph (3) of this
2 subsection, an investment shall be in an amount no less than \$5,000.00
3 if the qualified business employs 10 or fewer employees, or if the
4 qualified business employs more than 10 employees, not less than the
5 amount produced by multiplying the number of employees employed
6 by the qualified business by \$500.00. A qualified business shall be
7 required to make an investment for each year the qualified business
8 does not meet the requirements of subsection a. of this section. In
9 order to receive the incentives permitted by this section, the business
10 shall provide written evidence of the investment to the authority.

11 (cf: P.L.1993, c.367, s.8)

12

13 5. (New section) a. Notwithstanding the provisions of any law,
14 rule, regulation or order to the contrary, the designation of an
15 enterprise zone by the authority pursuant to P.L.1983, c.303
16 (C.52:27H-60 et al.), which is located in a municipality in which the
17 annual average of unemployed persons is equal to or greater than
18 2,000, or the municipal average annual unemployment rate exceeds the
19 State average annual unemployment rate, or an enterprise zone which
20 is located in a municipality contiguous to a municipality in which an
21 enterprise zone is designated pursuant to P.L.1983, c.303 (C.52:27H-
22 60 et al.) and in which the annual average of unemployed persons is
23 equal to or greater than 2,000 or the municipal average annual
24 unemployment rate exceeds the State average annual unemployment
25 rate, shall be extended by the authority, on a one-time basis, for the
26 same period as the original designation, within 90 days after the
27 effective date of P.L. , c. (C.) (now before the Legislature as
28 this bill), or within 90 days after the expiration of the third five-year
29 period provided in subsection c. of section 21 of P.L.1983, c.303
30 (C.52:27H-80), as appropriate.

31 b. During the 90 day period provided for in subsection a. of this
32 section, the authority shall notify all qualified businesses in the
33 enterprise zone that the benefits authorized by sections 16 through 20
34 of P.L.1983, c.303 (C.52:27H-75 through C.52:27H-79) shall be
35 extended to qualified businesses in the enterprise zone commencing
36 with the designation of the extended enterprise zone and continuing as
37 long as a zone retains its designation as an extended enterprise zone.

38 c. Notwithstanding any other provisions of any law, rule or
39 regulation to the contrary, 90 days after the period provided for in
40 subsection c. of section 21 of P.L.1983, c.303 (C.52:27H-80), except
41 as provided in subsection b. of section 6 of P.L.1996, c.124
42 (C.13:1E-116.6), and after first depositing 10 percent of the gross
43 amount of all revenues received from the taxation of retail sales made
44 by certified vendors from business locations in an extended enterprise
45 zone designated pursuant to subsection a. of this section, to which this
46 exemption shall apply into the account created in the name of the

1 authority in the enterprise zone assistance fund pursuant to section 29
2 of P.L.1983, c.303 (C.52:27H-88), the remaining 90 percent shall be
3 deposited immediately upon collection by the Department of the
4 Treasury, as follows:

5 (1) In the first five-year period during which the State shall have
6 collected reduced rate revenues within the extended enterprise zone,
7 all such revenues shall be deposited in the enterprise zone assistance
8 fund created pursuant to section 29 of P.L.1983, c.303
9 (C.52:27H-88);

10 (2) In the second five-year period during which the State shall
11 have collected reduced rate revenues within the extended enterprise
12 zone, 66 2/3% of all those revenues shall be deposited in the enterprise
13 zone assistance fund, and 33 1/3% shall be deposited in the General
14 Fund;

15 (3) In the third five-year period during which the State shall have
16 collected reduced rate revenues within the extended enterprise zone,
17 33 1/3% of all those revenues shall be deposited in the enterprise zone
18 assistance fund, and 66 2/3% shall be deposited in the General Fund;

19 (4) In the final five-year period during which the State shall have
20 collected reduced rate revenues within the extended enterprise zone,
21 but not to exceed the life of the enterprise zone, all those revenues
22 shall be deposited in the General Fund.

23 The revenues required to be deposited in the enterprise zone
24 assistance fund under this section shall be used for the purposes of that
25 fund and for the uses prescribed in section 29 of P.L.1983, c.303
26 (C.52:27H-88), subject to annual appropriations being made for those
27 purposes and uses.

28 d. The designation as an extended enterprise zone pursuant to this
29 section shall terminate if the authority determines that the municipality
30 in which the zone is located fails to meet the criteria of subsection a.
31 of this section for three consecutive years. Any enterprise zone which
32 loses its designation as an extended enterprise zone pursuant to this
33 subsection shall be eligible to apply to the authority for designation as
34 an extended enterprise zone pursuant to the provisions of P.L.1983,
35 c.303 (C.52:27H-60 et al.). If the authority approves its application,
36 an urban enterprise zone designation may be extended to the applicant
37 in accordance with the schedules set forth in P.L.1983, c.303
38 (C.52:27H-60 et al.), beginning at the point where the enterprise zone
39 was located on such schedules on the effective date of
40 P.L. , c. (C.) (now before the Legislature as this bill).

41

42 6. This act shall take effect immediately.

SENATE ECONOMIC GROWTH, AGRICULTURE AND
TOURISM COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR
SENATE, No. 322

STATE OF NEW JERSEY

DATED: JUNE 26, 2000

The Senate Economic Growth, Agriculture and Tourism Committee reports favorably a Senate Committee Substitute for Senate Bill No. 322.

This bill, as substituted, requires the New Jersey Urban Enterprise Zone Authority ("authority") to extend the designation of an urban enterprise zone ("zone") that was designated by the authority pursuant to P.L.1983, c.303 (C.52:27H-60 et al.), which is located in a municipality with an annual average of 2,000 or more unemployed persons or with a municipal average annual unemployment rate exceeding the State average annual unemployment rate or which is located in a municipality contiguous to a zone municipality with 2,000 or more unemployed persons or with a municipal average annual unemployment rate exceeding the State average annual unemployment rate, as an extended zone, on a one-time basis, for the same period as the original designation, within 90 days of the effective date of the bill or within 90 days of the expiration of the third five-year period provided in subsection c. of section 21 of P.L.1983, c.303 (C.52:27H-80), as appropriate.

The bill requires the authority to notify all qualified businesses within the zone that they will receive zone benefits authorized by sections 16 through 20 of P.L.1983, c.303 (C.52:27H-75 through C.52:27H-79) upon the designation of the extended zone and continuing as long as a zone retains its designation as an extended zone.

The bill provides that 90 days after the period provided for in subsection c. of section 21 of P.L.1983, c.303 (C.52:27H-80), except as provided in subsection b. of section 6 of P.L.1996, c.124 (C.13:1E-116.6), and after first depositing 10 percent of the gross amount of all revenues received from the taxation of retail sales made by certified vendors from business locations in an extended zone, to which this exemption shall apply into the account created in the name of the authority in the zone assistance fund pursuant to section 29 of P.L.1983, c.303 (C.52:27H-88), the remaining 90 percent shall be

deposited immediately upon collection by the Department of the Treasury, as follows:

(1) In the first five-year period during which the State shall have collected reduced rate revenues within an extended zone, all such revenues shall be deposited in the zone assistance fund created pursuant to section 29 of P.L.1983, c.303 (C.52:27H-88);

(2) In the second five-year period during which the State shall have collected reduced rate revenues within an extended zone, 66 2/3% of all those revenues shall be deposited in the zone assistance fund, and 33 1/3% shall be deposited in the General Fund;

(3) In the third five-year period during which the State shall have collected reduced rate revenues within an extended zone, 33 1/3% of all those revenues shall be deposited in the zone assistance fund, and 66 2/3% shall be deposited in the General Fund;

(4) In the final five-year period during which the State shall have collected reduced rate revenues within an extended zone, but not to exceed the life of the zone, all those revenues shall be deposited in the General Fund.

The revenues required to be deposited in the zone assistance fund under the bill shall be used for the purposes of that fund and for the uses prescribed in section 29 of P.L.1983, c.303 (C.52:27H-88), subject to annual appropriations being made for those purposes and uses.

The bill provides that designation as an extended zone would terminate if the authority determines that the municipality in which the zone is located fails to meet the criteria set forth in section 5 of the bill for three consecutive years. Upon termination of an extended zone designation, a zone would be authorized to apply to the authority for designation as an extended zone pursuant to P.L.1983, c.303 (C.52:27H-60 et al.) and to resume its 20-year designation as a zone if approved by the authority.

The bill deletes the limitation that only businesses in a zone or a zone expansion area that exist at the time of designation or expansion can use investment rather than hiring as an alternate method of qualifying for zone benefits.

The bill authorizes the governing body of a municipality to designate an officer or agent to enter into agreements with qualified businesses concerning investment in the municipality instead of requiring approval by the authority for such agreements.

In addition, the bill requires any new or reappointed public members of the authority to reside within a zone.

[First Reprint]

SENATE COMMITTEE SUBSTITUTE FOR
SENATE, No. 322

STATE OF NEW JERSEY
209th LEGISLATURE

ADOPTED JUNE 26, 2000

Sponsored by:

Senator RONALD L. RICE

District 28 (Essex)

Senator JAMES S. CAFIERO

District 1 (Cape May, Atlantic and Cumberland)

Co-Sponsored by:

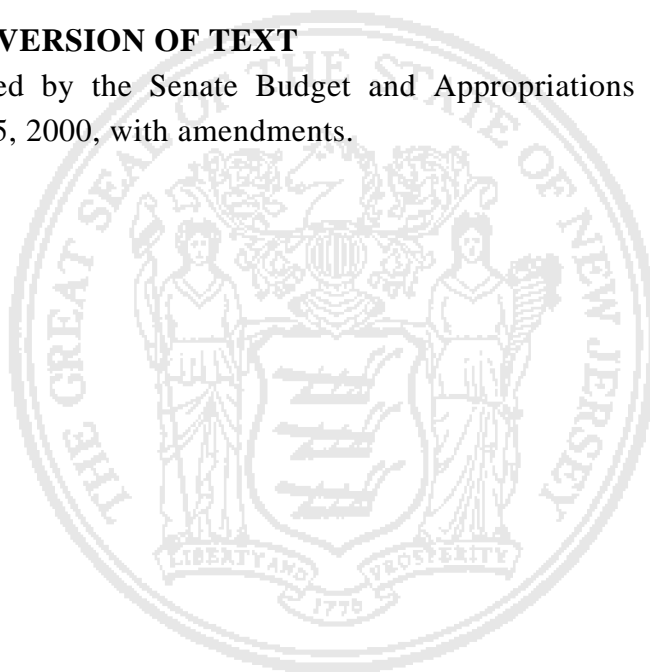
**Senators Lesniak, Furnari, Bryant, Girgenti, Sacco, O'Connor, Lynch,
Kenny, Codey, Turner, Adler, Singer, Zane, Ciesla and Vitale**

SYNOPSIS

Directs UEZA to establish extended enterprise zones.

CURRENT VERSION OF TEXT

As reported by the Senate Budget and Appropriations Committee on
September 25, 2000, with amendments.



(Sponsorship Updated As Of: 10/20/2000)

1 AN ACT concerning extended urban enterprise zones, amending and
2 supplementing P.L.1983, c.303 (C.52:27H-60 et seq.).

3
4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6
7 1. Section 2 of P.L.1983, c.303 (C.52:27H-61) is amended to read
8 as follows:

9 2. The Legislature finds and determines:

10 a. That there persist in this State, particularly in its urban centers,
11 areas of economic distress characterized by high unemployment, low
12 investment of new capital, blighted conditions, obsolete or abandoned
13 industrial or commercial structures, and deteriorating tax bases.

14 b. That the severe and persistent deterioration of these areas
15 demands vigorous and coordinated efforts by private and public
16 entities to restore their prosperity and enable them to resume
17 significant contributions to the economic and social life of the State.

18 c. That the economic revitalization of these areas requires
19 application of the skills and entrepreneurial vigor of private
20 enterprise; and it is the responsibility of government to provide a
21 framework within which encouragement be given to private capital
22 investment in these areas, disincentives to investment be removed or
23 abated, and mechanisms be provided for the coordination and
24 cooperation of private and public agencies in restoring the economic
25 viability and prosperity of these areas.

26 d. That certain urban areas which continue to experience high levels
27 of unemployment should be able to continue to receive the
28 aforementioned assistance and incentives necessary to promote
29 economic revitalization of those areas.

30 (cf: P.L.1983, c.303, s.2)

31

32 2. Section 4 of P.L.1983, c.303 (C.52:27H-63) is amended to read
33 as follows:

34 4. a. There is created the New Jersey Urban Enterprise Zone
35 Authority, which shall consist of:

36 (1) The ¹[Commissioner of the Department of Commerce, Energy
37 and Economic Development] Secretary of the New Jersey Commerce
38 and Economic Growth Commission¹, who shall be chairman of the
39 authority;

40 (2) The Commissioner of the Department of Community Affairs;

41 (3) The Commissioner of the Department of Labor;

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.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Senate SBA committee amendments adopted September 25, 2000.

1 (4) The State Treasurer; and

2 (5) Five public members not holding any other office, position or
3 employment in the State Government, nor any local elective office,
4 who shall be appointed by the Governor with the advice and consent
5 of the Senate, and who shall be qualified for their appointments by
6 training and experience in the areas of local government finance,
7 economic development and redevelopment, or volunteer civic service
8 and community organization. No more than three public members shall
9 be of the same political party. At least one public member of the
10 authority shall reside within an enterprise zone; however, the
11 provisions of this section shall apply only to members appointed or
12 reappointed after the effective date of P.L. , c. (C.) (now
13 before the Legislature as this bill).

14 b. The public members of the authority shall serve for terms of five
15 years, except that of the members first appointed, one shall serve for
16 a term of one year, one shall serve for a term of two years, one shall
17 serve for a term of three years, one shall serve for a term of four years,
18 and one shall serve for a term of five years. Vacancies in the public
19 membership shall be filled in the manner of the original appointments
20 but for the unexpired terms.

21 c. An ex officio member of the authority may, from time to time,
22 designate in writing to the authority an official within his respective
23 department to attend and represent the department at the meetings of
24 the authority from which the ex officio member is absent, and that
25 designated representative shall be entitled to vote and otherwise act
26 for the ex officio member at those meetings.

27 (cf: P.L.1988, c.93, s.2)

28

29 3. Section 7 of P.L.1983, c.303 (C.52:27H-66) is amended to read
30 as follows:

31 7. The authority shall designate enterprise zones from among those
32 areas of qualifying municipalities determined to be eligible pursuant to
33 this act. No more than 27 enterprise zones shall be in effect at any one
34 time. No more than one enterprise zone shall be designated in any one
35 municipality. **[Any]** Except as otherwise provided by section 5 of
36 P.L. , c. (C.) (now before the Legislature as this bill), any
37 designation granted shall be for a period of 20 years¹, beginning with
38 the year in which a zone is eligible for an exemption to the extent of
39 50% of the tax imposed under the "Sales and Use Tax Act," P.L.1966,
40 c.30 (C.54:32B-1 et seq.),¹ and shall not be renewed at the end of that
41 period. In designating enterprise zones the authority shall seek to
42 avoid excessive geographic concentration of zones in any particular
43 region of the State. At least six of the 10 additional enterprise zones
44 authorized pursuant to section 3 of P.L.1993, c.367 shall be located
45 in counties in which enterprise zones have not previously been
46 designated and shall be designated within 90 days of the date of the

1 submittal of an application and zone development plan. The authority
2 shall accept applications within 90 days of the effective date of
3 P.L.1993, c.367. Notwithstanding the provisions of P.L.1983, c.303
4 (C.52:27H-60 et seq.) to the contrary, the six additional enterprise
5 zones to be designated by the authority pursuant to the criteria for
6 priority consideration in this section shall be entitled to an exemption
7 to the extent of 50% of the tax imposed under the "Sales and Use Tax
8 Act," P.L.1966, c.30 (C.54:32B-1 et seq.). The following criteria shall
9 be utilized in according priority consideration for designation of these
10 zones by the authority:

11 a. One zone shall be located in a county of the second class with a
12 population greater than 595,000 and less than 675,000 according to
13 the latest federal decennial census and shall be located in the qualifying
14 municipality in that county with the highest annual average number of
15 unemployed persons and the highest average annual unemployment
16 rate for the 1992 calendar year according to the estimate by the State
17 Department of Labor;

18 b. Two zones shall be located in a county of the second class with
19 a population greater than 445,000 and less than 455,000 according to
20 the latest federal decennial census, one of which shall be located in the
21 qualifying municipality in that county with the highest annual average
22 number of unemployed persons and the highest average annual
23 unemployment rate for the 1992 calendar year according to the
24 estimate by the State Department of Labor, and one of which shall be
25 located in the qualifying municipality in that county with the second
26 highest annual average number of unemployed persons and the second
27 highest average annual unemployment rate for the 1992 calendar year
28 according to the estimate by the State Department of Labor;

29 c. One zone shall be located in a county of the third class with a
30 population greater than 84,000 and less than 92,000 according to the
31 latest federal decennial census and shall be located in the qualifying
32 municipality in that county with the highest annual average number of
33 unemployed persons and the highest average annual unemployment
34 rate for the 1992 calendar year according to the estimate by the State
35 Department of Labor;

36 d. One zone shall be located within two noncontiguous qualifying
37 municipalities but comprised of not more than two noncontiguous
38 areas each having a continuous border, if:

39 (1) both municipalities are located in the same county which shall be
40 a county of the fifth class with a population greater than 500,000 and
41 less than 555,000 according to the latest federal decennial census;

42 (2) the two municipalities submit a joint application and zone
43 development plan; and

44 (3) each of the municipalities has a population greater than 16,000
45 and less than 30,000 and a population density of more than 5,000
46 persons per square mile, according to the latest federal decennial

1 census; and

2 e. One zone shall be located within a municipality having a
3 population greater than 38,000 and less than 46,000 according to the
4 latest federal decennial census if the municipality is located within a
5 county of the fifth class with a population greater than 340,000 and
6 less than 440,000 according to the latest federal decennial census.
7 (cf: P.L.1995, c.382, s.1)

8

9 4. Section 27 of P.L.1983, c.303 (C.52:27H-86) is amended to read
10 as follows:

11 27. To be eligible for any of the incentives provided under this act
12 a qualified business must demonstrate to the satisfaction of the
13 authority that:

14 a. The business will create new employment in the municipality;

15 b. The business will not create unemployment in other areas of the
16 State, including the municipality in which the zone is located.

17 c. For the purposes of eligibility for the incentives provided under
18 sections 17, 19, 20, and 21 of P.L.1983, c.303 (C.52:27H-76,
19 52:27H-78, 52:27H-79, and 52:27H-80, respectively), a qualified
20 business shall not be required to meet the requirements of subsection
21 a. of this section, if:

22 (1) [At the time of designation of the enterprise zone or at the time
23 zone designation is extended by expansion to the location of a
24 business, the qualified business had been engaged in the active conduct
25 of a trade or business in that zone or in the added area of that zone for
26 at least one year prior to that designation or expansion;] Deleted by
27 amendment, (P.L. _____)

28 (2) The qualified business employs fewer than 50 employees;

29 (3) The qualified business has entered into an agreement[, approved
30 by the authority,] with the governing body of the qualifying
31 municipality, or an officer or agent of the municipality designated by
32 the governing body, in which the enterprise zone is located, under
33 which the qualified business agrees to undertake an investment in the
34 enterprise zone in lieu of the employment of new employees. An
35 investment permitted under an agreement shall be in an amount and of
36 a nature which the municipal governing body and the authority find
37 shall contribute substantially to the economic attractiveness of the
38 enterprise zone, and may include, but shall not be limited to:

39 (a) The improvement of the exterior appearance or customer
40 facilities of the property constituting the place of business of the
41 qualified business within the zone; provided that the improvement is
42 of a permanent nature and not required to meet existing ordinances or
43 code regulations; or

44 (b) Monetary contributions to the qualifying municipality to
45 undertake improvements to increase the safety or attractiveness of the
46 zone to businesses which may wish to locate there or to consumer

1 visitors to the zone, including, but not limited to litter clean-up and
2 control, landscaping, parking areas and facilities, recreational and rest
3 areas and facilities, repair or improvements to public streets, curbing,
4 sidewalks and pedestrian thoroughfares, street lighting, or increased
5 police, fire or sanitation services in the enterprise zone.

6 In order to meet the requirements of paragraph (3) of this
7 subsection, an investment shall be in an amount no less than \$5,000.00
8 if the qualified business employs 10 or fewer employees, or if the
9 qualified business employs more than 10 employees, not less than the
10 amount produced by multiplying the number of employees employed
11 by the qualified business by \$500.00. A qualified business shall be
12 required to make an investment for each year the qualified business
13 does not meet the requirements of subsection a. of this section. In
14 order to receive the incentives permitted by this section, the business
15 shall provide written evidence of the investment to the authority.

16 (cf: P.L.1993, c.367, s.8)

17

18 5. (New section) a. Notwithstanding the provisions of any law,
19 rule, regulation or order to the contrary, the designation of an
20 enterprise zone by the authority pursuant to P.L.1983, c.303
21 (C.52:27H-60 et al.), which is located in a municipality in which the
22 annual average of unemployed persons is equal to or greater than
23 2,000, or the municipal average annual unemployment rate exceeds the
24 State average annual unemployment rate, or an enterprise zone which
25 is located in a municipality contiguous to a municipality in which an
26 enterprise zone is designated pursuant to P.L.1983, c.303 (C.52:27H-
27 60 et al.) and in which the annual average of unemployed persons is
28 equal to or greater than 2,000 or the municipal average annual
29 unemployment rate exceeds the State average annual unemployment
30 rate, shall¹, following the expiration of the third five-year period
31 during which the State shall have collected reduced rate revenues
32 within the zone as provided in subsection c. of section 21 of P.L.1983,
33 c.303 (C.52:27H-80),¹ be extended by the authority, on a one-time
34 basis, for the same period as the original designation, within 90 days
35 after the effective date of P.L. , c. (C.) (now before the
36 Legislature as this bill), or within 90 days after the expiration of
37 ¹[the] that ¹ third five-year period [provided in subsection c. of
38 section 21 of P.L.1983, c.303 (C.52:27H-80), as appropriate],
39 whichever is later¹.

40 b. During the 90 day period provided for in subsection a. of this
41 section, the authority shall notify all qualified businesses in the
42 enterprise zone that the benefits authorized by sections 16 through 20
43 of P.L.1983, c.303 (C.52:27H-75 through C.52:27H-79) shall be
44 extended to qualified businesses in the enterprise zone commencing
45 with the designation of the extended enterprise zone and continuing as
46 long as a zone retains its designation as an extended enterprise zone.

1 c. Notwithstanding any other provisions of any law, rule or
2 regulation to the contrary, 90 days after the period provided for in
3 subsection c. of section 21 of P.L.1983, c.303 (C.52:27H-80), except
4 as provided in subsection b. of section 6 of P.L.1996, c.124
5 (C.13:1E-116.6), and after first depositing 10 percent of the gross
6 amount of all revenues received from the taxation of retail sales made
7 by certified vendors from business locations in an extended enterprise
8 zone designated pursuant to subsection a. of this section, to which this
9 exemption shall apply into the account created in the name of the
10 authority in the enterprise zone assistance fund pursuant to section 29
11 of P.L.1983, c.303 (C.52:27H-88), the remaining 90 percent shall be
12 deposited immediately upon collection by the Department of the
13 Treasury, as follows:

14 (1) In the first five-year period during which the State shall have
15 collected reduced rate revenues within the extended enterprise zone,
16 all such revenues shall be deposited in the enterprise zone assistance
17 fund created pursuant to section 29 of P.L.1983, c.303
18 (C.52:27H-88);

19 (2) In the second five-year period during which the State shall have
20 collected reduced rate revenues within the extended enterprise zone,
21 $66 \frac{2}{3}\%$ of all those revenues shall be deposited in the enterprise zone
22 assistance fund, and $33 \frac{1}{3}\%$ shall be deposited in the General Fund;

23 (3) In the third five-year period during which the State shall have
24 collected reduced rate revenues within the extended enterprise zone,
25 $33 \frac{1}{3}\%$ of all those revenues shall be deposited in the enterprise zone
26 assistance fund, and $66 \frac{2}{3}\%$ shall be deposited in the General Fund;

27 (4) In the final five-year period during which the State shall have
28 collected reduced rate revenues within the extended enterprise zone,
29 but not to exceed the life of the enterprise zone, all those revenues
30 shall be deposited in the General Fund.

31 The revenues required to be deposited in the enterprise zone
32 assistance fund under this section shall be used for the purposes of that
33 fund and for the uses prescribed in section 29 of P.L.1983, c.303
34 (C.52:27H-88), subject to annual appropriations being made for those
35 purposes and uses.

36 d. The designation as an extended enterprise zone pursuant to this
37 section shall terminate if the authority determines that the municipality
38 in which the zone is located fails to meet the criteria of subsection a.
39 of this section for three consecutive years. Any enterprise zone which
40 loses its designation as an extended enterprise zone pursuant to this
41 subsection shall be eligible to apply to the authority for designation as
42 an extended enterprise zone pursuant to the provisions of P.L.1983,
43 c.303 (C.52:27H-60 et al.). If the authority approves its application,
44 an urban enterprise zone designation may be extended to the applicant
45 in accordance with the schedules set forth in P.L.1983, c.303
46 (C.52:27H-60 et al.), beginning at the point where the enterprise zone

1 was located on such schedules on the effective date of
2 P.L. , c. (C.) (now before the Legislature as this bill).
3
4 6. This act shall take effect immediately.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR **SENATE, No. 322**

with committee amendments

STATE OF NEW JERSEY

DATED: SEPTEMBER 25, 2000

The Senate Budget and Appropriations Committee reports favorably and with committee amendments Senate Bill No. 322 (SCS).

This bill directs the New Jersey Urban Enterprise Zone Authority (the authority) to extend, in certain cases, the designation of an urban enterprise zone (UEZ).

Background: the UEZ program. The "New Jersey Urban Enterprise Zones Act" was enacted in 1983 to encourage private capital investment in distressed urban areas of the State so as to restore their economic viability and prosperity. The Act authorizes the designation of a limited number of these distressed areas as "urban enterprise zones" (UEZ's), within which certain "qualified businesses" are eligible for various business incentives. A "qualified business" is one that (i) was already doing business in the zone when the zone was designated, or (ii) began operations in the zone after its designation and has employees there who comprise at least 25% of its total full-time workforce and meet any of various criteria of hardship.

UEZ business incentives. By far the most important incentive to a qualified business in a UEZ is the right, while the UEZ's designation lasts, to collect sales tax at one-half the regular rate (i.e., at 3% rather than 6%) on the retail sale of goods other than motor vehicles, alcoholic beverages, cigarettes, manufacturing equipment, and energy (N.J.S.A.52:27H-80).

The other incentives include the right of the qualified business to (1) a rebate of a percentage of the unemployment insurance tax that the business pays for certain new employees (N.J.S.A.52:27H-75); (2) a one-time corporation business tax credit for employing a resident of a UEZ municipality or investing in a UEZ (N.J.S.A.52:27H-78); and (3) a sales tax exemption for the business's retail purchase of personal property (except motor vehicles and energy) and its purchase of services (except telecommunications and utility services) (N.J.S.A.52:27H-79). In addition, the sales tax statute provides an exemption from the tax for sales to contractors and repairmen of materials, supplies or services to be used on improvements to qualified

UEZ businesses (N.J.S.A.54:32B-8.22).

Zone designation. The Act makes the UEZ authority responsible for the designation of UEZ's. Zones are to be restricted to "qualifying municipalities", i.e., those in which the municipal average annual unemployment rate exceeds the corresponding State rate and the annual average number of unemployed is at least 2,000. Under current terms of the Act, zone designations are granted for a period of 20 years and are nonrenewable.

As enacted in 1983, the UEZ Act limited the total number of zones that could be designated to 10, and the number of zones in which reduced sales tax could be charged to four. Under a 1988 amendment, the authority received discretion to allow the reduced sales tax rate to apply in any zone. The authority ultimately authorized the reduced tax rate in all ten of the original zones; in four zones, that authorization did not occur until 1992, more than five years after their designation as zones. Under amendments enacted in 1993 and 1995, the maximum number of authorized zones was expanded, first to 20 and then to the current 27; the reduced sales tax rate applies in all of them.

Disposition of reduced-rate sales tax revenue. The UEZ Act includes special provisions for disposition of sales tax revenue collected in UEZ's at the reduced rate. The Act established an enterprise zone assistance fund to assist UEZ municipalities in undertaking public improvements and upgrading municipal services. (A 1993 amendment authorized use of the fund to support economic development projects.) The Act includes a phased schedule to govern the allocation of reduced-rate sales tax revenue between the assistance fund and the General Fund. In the first five years under the schedule, all reduced-rate sales tax revenue collected in the zone is to be deposited in the assistance fund. In the second five years that revenue is to be allocated, two-thirds to the assistance fund and one-third to the State's General Fund. In the third five years, the latter allocation is reversed: one-third of the revenue goes to the assistance fund and two-thirds to the General Fund. In the fourth (and final) five years, all of the reduced-rate tax revenue is deposited in the General Fund. Perhaps with a view to the significant delay between zone designation and authorization of the reduced sales tax rate in four of the original UEZ's, amendments in 1993 provided that the phased schedule would commence from implementation of the reduced rate in a zone, rather than from the zone's designation.

Effect of the bill. Under the bill, upon expiration of a UEZ's third five-year period of reduced-rate sales tax collection, the UEZ authority would be required to extend the zone's initial designation as a UEZ if the UEZ is located in (1) a municipality with an annual average of 2,000 or more unemployed persons or a municipal average annual unemployment rate exceeding the State average annual unemployment rate, or (2) a municipality contiguous to such a UEZ municipality.

The designation extension would be made, on a one-time basis only and for the same period (20 years) as the original designation, within

90 days of the bill's enactment or the expiration of the third five-year period, whichever is later.

The bill requires the authority to notify all qualified businesses within the redesignated zone that, upon the redesignation, they will receive UEZ benefits for as long as the zone retains its designation as an extended zone. It provides that designation as an extended UEZ would terminate if the authority determines that the municipality in which the zone is located fails for three consecutive years to meet the eligibility standards referred to above. Upon termination of an extended designation, a zone could apply to the authority for zone designation under the basic UEZ Act and, if the application is approved, resume its original 20-year UEZ designation.

In addition, the bill (a) deletes the limitation that only businesses in a zone or a zone expansion area that exist at the time of designation or expansion can use investment rather than hiring as an alternate method of qualifying for zone benefits, (b) authorizes the governing body of a municipality to designate an officer or agent to enter into agreements with qualified businesses concerning investment in the municipality instead of requiring approval by the authority for such agreements, and (c) requires any new or reappointed public members of the authority to reside within a UEZ.

COMMITTEE AMENDMENTS

Committee amendments to this bill (1) correct an outdated reference to the title of the Secretary of the New Jersey Commerce and Economic Growth Commission, who is designated by law to serve as chairman of the authority, (2) clarify the provision governing the date as of which a qualified UEZ would become eligible for extended UEZ designation under the bill, and (3) adjust the date from which the 20-year period of UEZ status is to be counted from the year of designation to the year in which reduced-rate sales tax collection begins (to preclude the possibility that the four UEZ's in which collection of sales tax at the reduced rate began several years after their initial designation might lose that designation before attaining eligibility for extended designation under the bill).

FISCAL IMPACT

The Division of Taxation has prepared an estimate, based upon current revenue collections in each of the State's 27 urban enterprise zones, of the loss in sales tax revenue to the State that would result from the implementation of this legislation. The Division estimates that loss in FY2001 at \$5.2 million, representing six months of applicability; the loss in FY2002 is estimated at \$11 million, and that for FY2003 at \$11.7 million. These estimates assume sales revenue growth at 6% per year.

The Division expects the cost in lost State revenue to rise significantly in future years as additional UEZ's qualify for extended designation. The projected cost for FY2008 is roughly \$46 million,

while that for FY2011 (when all 27 zones will potentially be eligible for redesignation) is roughly \$105 million.

The foregoing estimates do not include losses in State revenue attributable to the allowance of corporation business tax credits and other incentives.

STATEMENT TO

[First Reprint]

SENATE COMMITTEE SUBSTITUTE FOR **SENATE, No. 322**

with Senate Floor Amendments
(Proposed By Senators CAFIERO and RICE)

ADOPTED: JUNE 7, 2001

The purpose of these floor amendments is to allow for the new designation of a UEZ-impacted business district in an economically-distressed business district adjacent to two UEZs and to allow for certain businesses in those districts to collect the same reduced rate sales tax as those qualified businesses in the nearby UEZs. The amendments provide that, unlike the sales tax collected in a UEZ which, goes in part to the enterprise zone assistance fund and in part to the General Fund, all reduced rate sales tax revenues collected in a UEZ-impacted business district shall go to the General Fund.

The floor amendments also provide for the designation of three additional UEZs, one of them a joint municipal UEZ. Currently only North Wildwood City, Wildwood City, Wildwood Crest Borough and West Wildwood Borough in Cape May County meet the criteria for the establishment of the additional joint zone and only Bayonne City and Roselle Borough meet the criteria for the establishment of the other two zones. The amendments also provide that the additional UEZs shall be entitled to an exemption to the extent of 50% of the tax imposed under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.).

The floor amendments further provide for the replacement of the final five-year period of the 20-year UEZ designation for the eligible zones with a new 16-year period (extending the zone's reduced sales tax collections from a total of 20 years to a total of $15 + 16 = 31$ years) consisting of three five-year periods during which the UEZ would receive all, $2/3$ and $1/3$, respectively, of the reduced rate sales tax collected within the zone, and a final year during which the UEZ receives no sales tax.

The floor amendments also make certain technical amendments to the bill. The amendments make this bill identical to Assembly Bill No. 17 ACS.

[Second Reprint]

SENATE COMMITTEE SUBSTITUTE FOR
SENATE, No. 322

STATE OF NEW JERSEY
209th LEGISLATURE

ADOPTED JUNE 26, 2000

Sponsored by:

Senator RONALD L. RICE

District 28 (Essex)

Senator JAMES S. CAFIERO

District 1 (Cape May, Atlantic and Cumberland)

Co-Sponsored by:

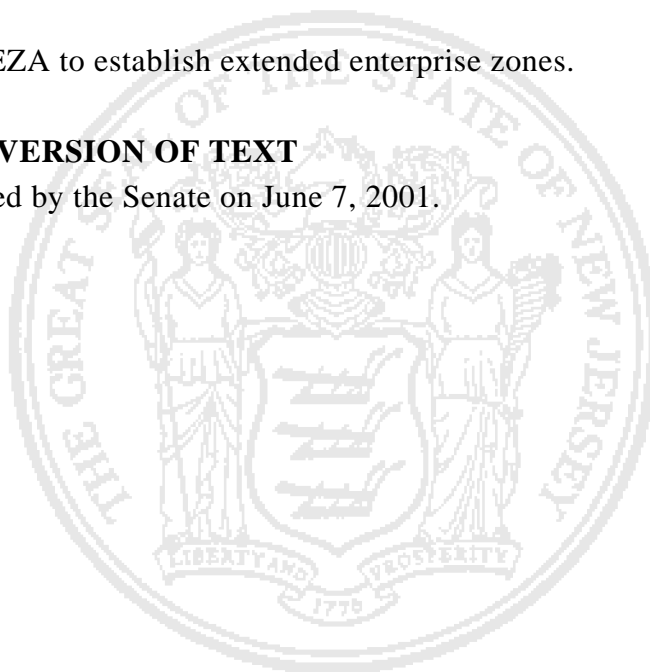
Senators Lesniak, Furnari, Bryant, Girgenti, Sacco, O'Connor, Lynch, Kenny, Codey, Turner, Adler, Singer, Zane, Ciesla, Vitale, Assemblymen Asselta, Gibson, Zecker, Assemblywoman Watson Coleman, Assemblymen Charles, Cohen, Doria and Assemblywoman Gill

SYNOPSIS

Directs UEZA to establish extended enterprise zones.

CURRENT VERSION OF TEXT

As amended by the Senate on June 7, 2001.



(Sponsorship Updated As Of: 11/30/2001)

1 AN ACT concerning ²[extended]² urban enterprise zones ²and
2 enterprise zone-impacted business districts², amending and
3 supplementing P.L.1983, c.303 (C.52:27H-60 et seq.).
4

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

7
8 1. Section 2 of P.L.1983, c.303 (C.52:27H-61) is amended to read
9 as follows:

10 2. The Legislature finds and determines:

11 a. That there persist in this State, particularly in its urban centers,
12 areas of economic distress characterized by high unemployment, low
13 investment of new capital, blighted conditions, obsolete or abandoned
14 industrial or commercial structures, and deteriorating tax bases.

15 b. That the severe and persistent deterioration of these areas
16 demands vigorous and coordinated efforts by private and public
17 entities to restore their prosperity and enable them to resume
18 significant contributions to the economic and social life of the State.

19 c. That the economic revitalization of these areas requires
20 application of the skills and entrepreneurial vigor of private
21 enterprise; and it is the responsibility of government to provide a
22 framework within which encouragement be given to private capital
23 investment in these areas, disincentives to investment be removed or
24 abated, and mechanisms be provided for the coordination and
25 cooperation of private and public agencies in restoring the economic
26 viability and prosperity of these areas.

27 d. That certain urban areas which continue to experience high levels
28 of unemployment should be able to continue to receive the
29 aforementioned assistance and incentives necessary to promote
30 economic revitalization of those areas.

31 ²e. That a business district with urban enterprise zones adjacent to
32 it on two or more sides can be negatively impacted because the
33 businesses in the adjacent enterprise zones are permitted to collect
34 50% less sales tax and thus have a significant advantage in competition
35 for customers. The impacted business district can become
36 economically distressed because there is a disincentive to businesses
37 to invest in or stay in that business district.²

38 (cf: P.L.1983, c.303, s.2)

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.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Senate SBA committee amendments adopted September 25, 2000.

² Senate floor amendments adopted June 7, 2001.

1 2. Section 3 of P.L.1983, c.303 (C.52:27H-62) is amended to read
2 as follows:
3 3. As used in this act:
4 a. "Enterprise zone" or "zone" means an urban enterprise zone
5 designated by the authority pursuant to this act;
6 b. "Authority" means the New Jersey Urban Enterprise Zone
7 Authority created by this act;
8 c. "Qualified business" means any entity authorized to do business
9 in the State of New Jersey which, at the time of designation as an
10 enterprise zone or a UEZ-impacted business district, is engaged in the
11 active conduct of a trade or business in that zone or district; or an
12 entity which, after that designation but during the designation period,
13 becomes newly engaged in the active conduct of a trade or business in
14 that zone or district and has at least 25% of its full-time employees
15 employed at a business location in the zone or district, meeting one or
16 more of the following criteria:
17 (1) Residents within the zone, the district, within another zone or
18 within a qualifying municipality; or
19 (2) Unemployed for at least six months prior to being hired and
20 residing in New Jersey, and recipients of New Jersey public assistance
21 programs for at least six months prior to being hired, or either of the
22 aforesaid; or
23 (3) Determined to be [economically disadvantaged pursuant to the
24 Jobs Training Partnership Act, Pub.L.97-300 (29 U.S.C.1501 et seq.)]
25 low income individuals pursuant to the Workforce Investment Act of
26 1998, Pub. L. 105-220 (29 U.S.C. 2811);
27 d. "Qualifying municipality" means any municipality in which there
28 was, in the last full calendar year immediately preceding the year in
29 which application for enterprise zone designation is submitted pursuant
30 to section 14 of P.L.1983, c.303 (C.52:27H-73), an annual average of
31 at least 2,000 unemployed persons, and in which the municipal average
32 annual unemployment rate for that year exceeded the State average
33 annual unemployment rate; except that any municipality which
34 qualifies for State aid pursuant to P.L.1978, c.14 (C.52:27D-178 et
35 seq.) shall qualify if its municipal average annual unemployment rate
36 for that year exceeded the State average annual unemployment rate.
37 The annual average of unemployed persons and the average annual
38 unemployment rates shall be estimated for the relevant calendar year
39 by the Office of Labor [Statistics, Division of] Planning and
40 [Research] Analysis of the State Department of Labor. In addition to
41 those municipalities that qualify pursuant to the criteria set forth above,
42 that municipality accorded priority designation pursuant to subsection
43 e. of section 7 of P.L.1983, c.303 (C.52:27H-66)[and], that
44 municipality set forth in paragraph (7) of section 3 of P.L.1995, c.382
45 (C.52:27H-66.1) and the municipalities in which the three additional
46 enterprise zones, including the joint enterprise zone, are to be

1 designated pursuant to criteria according priority consideration for
2 designation of the zones pursuant to section 12 of P.L. , c. (C.) (now
3 before the Legislature as this bill) shall be deemed qualifying
4 municipalities;

5 e. "Public assistance" means income maintenance funds administered
6 by the Department of Human Services or by a county welfare agency;

7 f. "Zone development corporation" means a nonprofit corporation or
8 association created or designated by the governing body of a qualifying
9 municipality to formulate and propose a preliminary zone development
10 plan pursuant to section 9 of P.L.1983, c.303 (C.52:27H-68) and to
11 prepare, monitor, administer and implement the zone development
12 plan;

13 g. "Zone development plan" means a plan adopted by the governing
14 body of a qualifying municipality for the development of an enterprise
15 zone therein, and for the direction and coordination of activities of the
16 municipality, zone businesses and community organizations within the
17 enterprise zone toward the economic betterment of the residents of the
18 zone and the municipality;

19 h. "Zone neighborhood association" means a corporation or
20 association of persons who either are residents of, or have their
21 principal place of employment in, a municipality in which an enterprise
22 zone has been designated pursuant to this act; which is organized under
23 the provisions of Title 15 of the Revised Statutes or Title 15A of the
24 New Jersey Statutes; and which has for its principal purpose the
25 encouragement and support of community activities within, or on
26 behalf of, the zone so as to (1) stimulate economic activity, (2) increase
27 or preserve residential amenities, or (3) otherwise encourage
28 community cooperation in achieving the goals of the zone development
29 plan; and

30 [and]

31 i. "Enterprise zone assistance fund" or "assistance fund" means the
32 fund created by section 29 of P.L.1983, c.303 (C.52:27H-88); and

33 j. "UEZ-impacted business district" or "district" means an
34 economically-distressed business district classified by the authority
35 as having been negatively impacted by two or more adjacent urban
36 enterprise zones in which 50% less sales tax is collected pursuant to
37 section 21 of P.L. 1983, c. 303 (C.52:27H-80).

38 (cf: P.L.1995, c.382, s.2)²

39
40 ²3. (New section) The authority shall designate a classification
41 known as a "UEZ-impacted business district" for a municipality which
42 can demonstrate to the authority that its business district is
43 economically distressed and is being negatively impacted by the
44 presence of two or more adjacent enterprise zones in which 50% less
45 sales tax is collected pursuant to section 21 of P.L. 1983, c. 303
46 (C.52:27H-80).²

1 ²4. (New section) a. A municipality shall apply to the authority for
2 the classification of UEZ-impacted business district by submitting an
3 application as required by the authority along with detailed findings
4 made after a public hearing that the business district is economically
5 distressed and that the adjacent enterprise zones are having a negative
6 impact upon the municipality's business district.

7 b. In according consideration for designation of the UEZ-impacted
8 business district classification authorized pursuant to section 3 of P.L.
9 c. (C.) (now pending before the Legislature as this bill), the following
10 criteria shall be utilized by the authority:

11 (1) the district shall be located in a municipality which is between
12 two municipalities each of which has an enterprise zone; and

13 (2) the borders of the two enterprise zones of the adjacent
14 municipalities shall in part be contiguous to the border of the
15 applicant municipality.²

16
17 ²5. (New section) a. A qualified business within a UEZ-impacted
18 business district authorized pursuant to section 3 of P.L. _____,
19 c. (C.) (now pending before the Legislature as this bill) shall be
20 entitled to an exemption to the extent of 50% from the tax imposed
21 under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.)
22 in accordance with section 21 of the "New Jersey Urban Enterprise
23 Zones Act," P.L.1983, c.303 (C.52:27H-80) to the same extent as that
24 granted to qualified businesses in the adjacent enterprise zones
25 provided that the qualified business applies to the Director of the
26 Division of Taxation in the Department of the Treasury for
27 certification pursuant to section 21 of P.L.1983, c.303 (C.52:27H-80),
28 meets the eligibility criteria of section 27 of P.L.1983, c.303
29 (C.52:27H-86), and satisfies the annual certification requirements of
30 section 28 of P.L.1983, c.303 (C.52:27H-87).

31 b. The reduced rate revenues authorized by this section and received
32 from the taxation of retail sales made by qualified businesses in the
33 UEZ-impacted business district shall be deposited in the General Fund
34 and not allocated in accordance with section 21 of the "New Jersey
35 Urban Enterprise Zones Act," P.L.1983, c.303 (C.52:27H-80), to the
36 enterprise zone assistance fund.

37 c. Other than the reduction in sales tax rate provided to qualified
38 businesses pursuant to this section, no tax credits, incentives, programs
39 or other benefits of the "New Jersey Urban Enterprise Zones Act,"
40 P.L.1983, c.303 (C.52:27H-60 et seq.), shall be available to businesses
41 in the district as a result of a UEZ-impacted business district
42 designation.²

43
44 ²6. (New section) When the duration of one or more of the
45 enterprise zones adjacent to the UEZ-impacted business district expires
46 but the UEZ-impacted business district continues to be adjacent to one
47 or more remaining enterprise zones, the authority shall review the

1 designation of the UEZ-impacted business district. If upon conducting
2 a hearing, the authority finds that the business district continues to be
3 economically distressed and negatively impacted by the remaining
4 adjacent enterprise zone, the UEZ-impacted business district
5 designation shall be continued. The designation of UEZ-impacted
6 business district shall terminate automatically when the duration of the
7 last enterprise zone adjacent to the district ends.²

8
9 ²[2] 7.² Section 4 of P.L.1983, c.303 (C.52:27H-63) is amended to
10 read as follows:

11 4. a. There is created the New Jersey Urban Enterprise Zone
12 Authority, which shall consist of:

13 (1) The ¹[Commissioner of the Department of Commerce, Energy
14 and Economic Development] Chief Executive Officer and Secretary
15 of the New Jersey Commerce and Economic Growth Commission¹,
16 who shall be chairman of the authority;

17 (2) The Commissioner of the Department of Community Affairs;

18 (3) The Commissioner of the Department of Labor;

19 (4) The State Treasurer; and

20 (5) Five public members not holding any other office, position or
21 employment in the State Government, nor any local elective office,
22 who shall be appointed by the Governor with the advice and consent
23 of the Senate, and who shall be qualified for their appointments by
24 training and experience in the areas of local government finance,
25 economic development and redevelopment, or volunteer civic service
26 and community organization. No more than three public members shall
27 be of the same political party. At least one public member of the
28 authority shall reside within an enterprise zone; however, the
29 provisions of this section shall apply only to members appointed or
30 reappointed after the effective date of P.L. , c. (C.) (now
31 before the Legislature as this bill).

32 b. The public members of the authority shall serve for terms of five
33 years, except that of the members first appointed, one shall serve for
34 a term of one year, one shall serve for a term of two years, one shall
35 serve for a term of three years, one shall serve for a term of four years,
36 and one shall serve for a term of five years. Vacancies in the public
37 membership shall be filled in the manner of the original appointments
38 but for the unexpired terms.

39 c. An ex officio member of the authority may, from time to time,
40 designate in writing to the authority an official within his respective
41 department to attend and represent the department at the meetings of
42 the authority from which the ex officio member is absent, and that
43 designated representative shall be entitled to vote and otherwise act
44 for the ex officio member at those meetings.

45 (cf: P.L.1988, c.93, s.2)

1 ²[3.] 8.² Section 7 of P.L.1983, c.303 (C.52:27H-66) is amended
2 to read as follows:

3 7. The authority shall designate enterprise zones from among those
4 areas of qualifying municipalities determined to be eligible pursuant to
5 this act. No more than ²[27] 30² enterprise zones shall be in effect at
6 any one time. No more than one enterprise zone shall be designated
7 in any one municipality. [Any] Except as otherwise provided by
8 section ²[5] 11² of P.L. ., c. (C.) (now before the Legislature
9 as this bill), any designation granted shall be for a period of 20
10 years ¹, beginning with the year in which a zone is eligible for an
11 exemption to the extent of 50% of the tax imposed under the "Sales
12 and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.).¹ and shall not
13 be renewed at the end of that period. In designating enterprise zones
14 the authority shall seek to avoid excessive geographic concentration
15 of zones in any particular region of the State. At least six of the 10
16 additional enterprise zones authorized pursuant to section 3 of
17 P.L.1993, c.367 shall be located in counties in which enterprise zones
18 have not previously been designated and shall be designated within 90
19 days of the date of the submittal of an application and zone
20 development plan. The authority shall accept applications within 90
21 days of the effective date of P.L.1993, c.367. Notwithstanding the
22 provisions of P.L.1983, c.303 (C.52:27H-60 et seq.) to the contrary,
23 the six additional enterprise zones to be designated by the authority
24 pursuant to the criteria for priority consideration in this section shall
25 be entitled to an exemption to the extent of 50% of the tax imposed
26 under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et
27 seq.). The following criteria shall be utilized in according priority
28 consideration for designation of these zones by the authority:

29 a. One zone shall be located in a county of the second class with a
30 population greater than 595,000 and less than 675,000 according to
31 the latest federal decennial census and shall be located in the qualifying
32 municipality in that county with the highest annual average number of
33 unemployed persons and the highest average annual unemployment
34 rate for the 1992 calendar year according to the estimate by the State
35 Department of Labor;

36 b. Two zones shall be located in a county of the second class with
37 a population greater than 445,000 and less than 455,000 according to
38 the latest federal decennial census, one of which shall be located in the
39 qualifying municipality in that county with the highest annual average
40 number of unemployed persons and the highest average annual
41 unemployment rate for the 1992 calendar year according to the
42 estimate by the State Department of Labor, and one of which shall be
43 located in the qualifying municipality in that county with the second
44 highest annual average number of unemployed persons and the second
45 highest average annual unemployment rate for the 1992 calendar year
46 according to the estimate by the State Department of Labor;

1 c. One zone shall be located in a county of the third class with a
2 population greater than 84,000 and less than 92,000 according to the
3 latest federal decennial census and shall be located in the qualifying
4 municipality in that county with the highest annual average number of
5 unemployed persons and the highest average annual unemployment
6 rate for the 1992 calendar year according to the estimate by the State
7 Department of Labor;

8 d. One zone shall be located within two noncontiguous qualifying
9 municipalities but comprised of not more than two noncontiguous
10 areas each having a continuous border, if:

11 (1) both municipalities are located in the same county which shall be
12 a county of the fifth class with a population greater than 500,000 and
13 less than 555,000 according to the latest federal decennial census;

14 (2) the two municipalities submit a joint application and zone
15 development plan; and

16 (3) each of the municipalities has a population greater than 16,000
17 and less than 30,000 and a population density of more than 5,000
18 persons per square mile, according to the latest federal decennial
19 census; and

20 e. One zone shall be located within a municipality having a
21 population greater than 38,000 and less than 46,000 according to the
22 latest federal decennial census if the municipality is located within a
23 county of the fifth class with a population greater than 340,000 and
24 less than 440,000 according to the latest federal decennial census.

25 (cf: P.L.1995, c.382, s.1)

26

27 ²9. Section 21 of P.L.1983, c.303 (C.52:27H-80) is amended to read
28 as follows:

29 21. Receipts of retail sales, except retail sales of motor vehicles, of
30 alcoholic beverages as defined in the "Alcoholic Beverage Tax Law,"
31 R.S.54:41-1 et seq., of cigarettes as defined in the "Cigarette Tax Act,"
32 P.L.1948, c.65 (C.54:40A-1 et seq.), of manufacturing machinery,
33 equipment or apparatus, and of energy, made by a certified vendor from
34 a place of business owned or leased and regularly operated by the
35 vendor for the purpose of making retail sales, and located in a
36 designated enterprise zone established pursuant to the "New Jersey
37 Urban Enterprise Zones Act," P.L.1983, c.303 (C.52:27H-60 et al.), or
38 a UEZ-impacted business district established pursuant to section 3 of
39 P.L. , c . (C.) (now pending before the Legislature as this bill), are
40 exempt to the extent of 50% of the tax imposed under the "Sales and
41 Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.)

42 Any vendor, which is a qualified business having a place of business
43 located in a designated enterprise zone or in a designated UEZ-
44 impacted business district, may apply to the Director of the Division
45 of Taxation in the Department of the Treasury for certification pursuant
46 to this section. The director shall certify a vendor if he shall find that

1 the vendor owns or leases and regularly operates a place of business
2 located in the designated enterprise zone or in the designated UEZ-
3 impacted business district for the purpose of making retail sales, that
4 items are regularly exhibited and offered for retail sale at that location,
5 and that the place of business is not utilized primarily for the purpose
6 of catalogue or mail order sales. The certification under this section
7 shall remain in effect during the time the business retains its status as
8 a qualified business meeting the eligibility criteria of section 27 of
9 P.L.1983, c.303 (C.52:27H-86). However, the director may at any time
10 revoke a certification granted pursuant to this section if he shall
11 determine that the vendor no longer complies with the provisions of
12 this section.

13 Notwithstanding the provisions of this act to the contrary, except as
14 may otherwise be provided by section 7 of P.L.1983, c.303
15 (C.52:27H-66), the authority may, in its discretion, determine whether
16 or not the provisions of this section shall apply to any enterprise zone
17 designated after the effective date of P.L.1985, c.142 (C.52:27H-66 et
18 al.); provided, however, that the authority may make such a
19 determination only where the authority finds that the award of an
20 exemption of 50 percent of the tax imposed under the "Sales and Use
21 Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.) will not have any
22 adverse economic impact upon any other urban enterprise zone.

23 Notwithstanding any other provisions of law to the contrary, except
24 as provided in subsection b. of section 6 of P.L.1996, c.124
25 (C.13:1E-116.6), after first depositing 10 percent of the gross amount
26 of all revenues received from the taxation of retail sales made by
27 certified vendors from business locations in designated enterprise
28 zones to which this exemption shall apply into the account created in
29 the name of the authority in the enterprise zone assistance fund
30 pursuant to section 29 of P.L.1983, c.303 (C.52:27H-88), the
31 remaining 90 percent shall be deposited immediately upon collection
32 by the Department of the Treasury, as follows:

33 a. In the first five-year period during which the State shall have
34 collected reduced rate revenues within an enterprise zone, all such
35 revenues shall be deposited in the enterprise zone assistance fund
36 created pursuant to section 29 of P.L.1983, c.303 (C.52:27H-88);

37 b. In the second five-year period during which the State shall have
38 collected reduced rate revenues within an enterprise zone, 66 2/3% of
39 all those revenues shall be deposited in the enterprise zone assistance
40 fund, and 33 1/3% shall be deposited in the General Fund;

41 c. In the third five-year period during which the State shall have
42 collected reduced rate revenues within an enterprise zone, 33 1/3% of
43 all those revenues shall be deposited in the enterprise zone assistance
44 fund, and 66 2/3% shall be deposited in the General Fund;

45 d. In the final five-year period during which the State shall have
46 collected reduced rate revenues within an enterprise zone, but not to
47 exceed the life of the enterprise zone, all those revenues shall be

1 deposited in the General Fund.

2 Commencing on the effective date of P.L.1993, c.144, all revenues
3 in any enterprise zone to which the provisions of this section have been
4 extended prior to the enactment of P.L.1993, c.144 shall be deposited
5 into the enterprise zone assistance fund until there shall have been
6 deposited all revenues into that fund for a total of five full years, as set
7 forth in subsection a. of this section. The State Treasurer then shall
8 proceed to deposit funds into the enterprise zone assistance fund
9 according to the schedule set forth in subsections b. through d. of this
10 section, beginning at the point where the enterprise zone was located
11 on that schedule on the effective date of P.L.1993, c.144. No
12 enterprise zone shall receive the deposit benefit granted by any one
13 subsection of this section for more than five cumulative years.

14 The revenues required to be deposited in the enterprise zone
15 assistance fund under this section shall be used for the purposes of that
16 fund and for the uses prescribed in section 29 of P.L.1983, c.303
17 (C.52:27H-88), subject to annual appropriations being made for those
18 purposes and uses.

19 (cf: P.L.1997, c.162, s.32.)²

20

21 ²[4.] 10.² Section 27 of P.L.1983, c.303 (C.52:27H-86) is amended
22 to read as follows:

23 27. To be eligible for any of the incentives provided under this act
24 a qualified business must demonstrate to the satisfaction of the
25 authority that:

26 a. The business will create new employment in the municipality;

27 b. The business will not create unemployment in other areas of the
28 State, including the municipality in which the zone ²or UEZ-impacted
29 business district² is located.

30 c. For the purposes of eligibility for the incentives provided under
31 sections 17, 19, 20, and 21 of P.L.1983, c.303 (C.52:27H-76,
32 52:27H-78, 52:27H-79, and 52:27H-80, respectively), a qualified
33 business shall not be required to meet the requirements of subsection
34 a. of this section, if:

35 (1) [At the time of designation of the enterprise zone or at the time
36 zone designation is extended by expansion to the location of a
37 business, the qualified business had been engaged in the active conduct
38 of a trade or business in that zone or in the added area of that zone for
39 at least one year prior to that designation or expansion;] ²[Deleted by
40 amendment, (P.L. _____)]

41 At the time of designation of the enterprise zone or at the time zone
42 designation is extended by expansion to the location of a business or
43 at the time of designation of the UEZ-impacted business district, the
44 qualified business had been engaged in the active conduct of a trade or
45 business in that zone or in the added area of that zone or in that
46 district for at least one year prior to that designation or expansion;²

1 (2) The qualified business employs fewer than 50 employees; ²and²

2 (3) The qualified business has entered into an agreement[, approved
3 by the authority,] ², approved by the authority.² with the governing
4 body of the qualifying municipality ²[, or an officer or agent of the
5 municipality designated by the governing body.]² in which the
6 enterprise zone is located ²or the municipality where the UEZ-
7 impacted business district is located², under which the qualified
8 business agrees to undertake an investment in the enterprise zone ²or
9 district² in lieu of the employment of new employees. An investment
10 permitted under an agreement shall be in an amount and of a nature
11 which the municipal governing body and the authority find shall
12 contribute substantially to the economic attractiveness of the
13 enterprise zone ²or district², and may include, but shall not be limited
14 to:

15 (a) The improvement of the exterior appearance or customer
16 facilities of the property constituting the place of business of the
17 qualified business within the zone ²or district²; provided that the
18 improvement is of a permanent nature and not required to meet
19 existing ordinances or code regulations; or

20 (b) Monetary contributions to the ²[qualifying]² municipality to
21 undertake improvements to increase the safety or attractiveness of the
22 zone ²or district² to businesses which may wish to locate there or to
23 consumer visitors to the zone ²or district², including, but not limited
24 to litter clean-up and control, landscaping, parking areas and facilities,
25 recreational and rest areas and facilities, repair or improvements to
26 public streets, curbing, sidewalks and pedestrian thoroughfares, street
27 lighting, or increased police, fire or sanitation services in the enterprise
28 zone ²or UEZ-impacted business district².

29 In order to meet the requirements of paragraph (3) of this
30 subsection, an investment shall be in an amount no less than \$5,000.00
31 if the qualified business employs 10 or fewer employees, or if the
32 qualified business employs more than 10 employees, not less than the
33 amount produced by multiplying the number of employees employed
34 by the qualified business by \$500.00. A qualified business shall be
35 required to make an investment for each year the qualified business
36 does not meet the requirements of subsection a. of this section. In
37 order to receive the incentives permitted by this section, the business
38 shall provide written evidence of the investment to the authority.

39 (cf: P.L.1993, c.367, s.8)

40

41 ²[5.] 11.² (New section) a. Notwithstanding the provisions of any
42 law, rule, regulation or order to the contrary, the designation of an
43 enterprise zone by the authority pursuant to P.L.1983, c.303
44 (C.52:27H-60 et ²[al.] seq.²), which is located in a municipality in
45 which the annual average of unemployed persons is equal to or greater
46 than 2,000, or the municipal average annual unemployment rate

1 exceeds the State average annual unemployment rate, or an enterprise
2 zone which is located in a municipality contiguous to a municipality in
3 which an enterprise zone is designated pursuant to P.L.1983, c.303
4 (C.52:27H-60 et ²[al.] seq. ³) and in which the annual average of
5 unemployed persons is equal to or greater than 2,000 or the municipal
6 average annual unemployment rate exceeds the State average annual
7 unemployment rate, shall¹, following the expiration of the third five-
8 year period during which the State shall have collected reduced rate
9 revenues within the zone as provided in subsection c. of section 21 of
10 P.L.1983, c.303 (C.52:27H-80).¹ be extended by the authority, on a
11 one-time basis, for ²[the same period as the original designation] a
12 period of 16 years², within 90 days after the effective date of P.L. ,
13 c. (C.) (now before the Legislature as this bill), or within 90
14 days after the expiration of ¹[the] that¹ third five-year period
15 ¹[provided in subsection c. of section 21 of P.L.1983, c.303
16 (C.52:27H-80), as appropriate], whichever is later¹.

17 b. During the 90 day period provided for in subsection a. of this
18 section, the authority shall notify all qualified businesses in the
19 enterprise zone that the benefits authorized by sections 16 through 20
20 of P.L.1983, c.303 (C.52:27H-75 through C.52:27H-79) shall be
21 extended to qualified businesses in the enterprise zone commencing
22 with the designation of the extended enterprise zone and continuing as
23 long as a zone retains its designation as an extended enterprise zone.

24 c. Notwithstanding any other provisions of any law, rule or
25 regulation to the contrary, 90 days after the ²expiration of the² period
26 provided for in subsection c. of section 21 of P.L.1983, c.303
27 (C.52:27H-80), except as provided in subsection b. of section 6 of
28 P.L.1996, c.124 (C.13:1E-116.6), and after first depositing 10 percent
29 of the gross amount of all revenues received from the taxation of retail
30 sales made by certified vendors from business locations in an extended
31 enterprise zone designated pursuant to subsection a. of this section, to
32 which this exemption shall apply into the account created in the name
33 of the authority in the enterprise zone assistance fund pursuant to
34 section 29 of P.L.1983, c.303 (C.52:27H-88), the remaining 90
35 percent shall be deposited immediately upon collection by the
36 Department of the Treasury, as follows:

37 (1) In the first five-year period during which the State shall have
38 collected reduced rate revenues within the extended enterprise zone,
39 all such revenues shall be deposited in the enterprise zone assistance
40 fund created pursuant to section 29 of P.L.1983, c.303
41 (C.52:27H-88);

42 (2) In the second five-year period during which the State shall have
43 collected reduced rate revenues within the extended enterprise zone,
44 66 2/3% of all those revenues shall be deposited in the enterprise zone
45 assistance fund, and 33 1/3% shall be deposited in the General Fund;

46 (3) In the third five-year period during which the State shall have

1 collected reduced rate revenues within the extended enterprise zone,
2 33 1/3% of all those revenues shall be deposited in the enterprise zone
3 assistance fund, and 66 2/3% shall be deposited in the General Fund;

4 (4) In the final ²[five-year period] year² during which the State
5 shall have collected reduced rate revenues within the extended
6 enterprise zone, but not to exceed the life of the enterprise zone, all
7 those revenues shall be deposited in the General Fund.

8 The revenues required to be deposited in the enterprise zone
9 assistance fund under this section shall be used for the purposes of that
10 fund and for the uses prescribed in section 29 of P.L.1983, c.303
11 (C.52:27H-88), subject to annual appropriations being made for those
12 purposes and uses.

13 d. The designation as an extended enterprise zone pursuant to this
14 section shall terminate if the authority determines that the municipality
15 in which the zone is located fails to meet the criteria of subsection a.
16 of this section for three consecutive years. Any enterprise zone which
17 loses its designation as an extended enterprise zone pursuant to this
18 subsection shall be eligible to ²[apply] re-apply² to the authority for
19 designation as an extended enterprise zone pursuant to the provisions
20 of P.L.1983, c.303 (C.52:27H-60 et ²[al.] seq.²). If the authority
21 approves its application, an urban enterprise zone designation may be
22 extended to the applicant in accordance with the schedules set forth in
23 P.L.1983, c.303 (C.52:27H-60 et ²[al.] seq.²), beginning at the point
24 where the enterprise zone was located on such schedules on the
25 effective date of P.L. , c. (C.) (now before the Legislature as this
26 bill).

27
28 ²12. (New section) The three additional zones, authorized pursuant
29 to P.L. , c. (C.) (now before the Legislature as this bill), shall be
30 designated within 90 days of the date of the submittal of an application
31 and zone development plan, provided that the joint zone shall be
32 designated within 90 days of the date of the submittal of a joint
33 application and a joint zone development plan by the adjoining
34 municipalities. The authority shall accept applications within 90 days
35 of the effective date of P.L. , c. (C.) (now before the Legislature
36 as this bill). Notwithstanding the provisions of P.L.1983, c.303
37 (C.52:27H-60 et seq.) to the contrary, the additional enterprise zones
38 to be designated by the authority pursuant to the criteria for priority
39 consideration set forth in this section shall be entitled to an exemption
40 to the extent of 50% of the tax imposed under the "Sales and Use Tax
41 Act," P.L.1966, c.30 (C.54:32B-1 et seq.). The following criteria
42 shall be utilized in according priority consideration for designation of
43 the three additional enterprise zones authorized pursuant to P.L. , c.
44 (C.) (now before the Legislature as this bill):

45 a. (1) The joint zone shall be located in four municipalities which
46 are adjacent to each other, one of which has a population greater than

1 5,000 and less than 5,500 according to the latest federal decennial
2 census, one of which has a population greater than 4,000 and less than
3 4,500 according to the latest federal decennial census, one of which
4 has a population greater than 3,000 and less than 4,000 according to
5 the latest federal decennial census, and one of which has a population
6 greater than 400 and less than 500 according to the latest federal
7 decennial census; and

8 (2) The joint zone shall be located in a county of the sixth class
9 according to the latest federal decennial census.

10 b. (1) The second zone shall be located in a municipality with a
11 population greater than 60,000 and less than 65,000 according to the
12 latest federal decennial census in a county of the first class with a
13 population greater than 600,000 and less than 620,000 according to
14 the latest federal decennial census; and

15 (2) The second zone shall be located in a municipality which is
16 contiguous to at least one qualifying municipality which has a
17 designated enterprise zone and which is in a county of the first class.

18 c. The third zone shall be located within a municipality that

19 (1) borders on another municipality having an urban enterprise zone;

20 (2) has a population greater than 20,000 and a population density
21 greater than 7,500 persons per square mile according to the latest
22 federal decennial census; and

23 (3) has a per capita retail sales rate that is less than \$2,500, as
24 reported by the U.S. Bureau of the Census, 1992 Census of Retail.²

25

26 ²[6. This act shall take effect immediately.] 13. This act shall take
27 effect immediately, except that sections 3, 4, 5, 6 and 12 of this act
28 shall take effect on the first day of the third month following
29 enactment, but the State Treasurer, the Chief Executive Officer and
30 Secretary of the New Jersey Commerce and Economic Growth
31 Commission, and the Executive Director of the New Jersey Urban
32 Enterprise Zone Authority may take such anticipatory actions as may
33 be necessary for the implementation of this act.²

FISCAL NOTE
[Second Reprint]
SENATE COMMITTEE SUBSTITUTE FOR
SENATE, No. 322
STATE OF NEW JERSEY
209th LEGISLATURE

DATED: JULY 18, 2001

SUMMARY

- Synopsis:** Directs Urban Enterprise Zone Authority to establish extended enterprise zones.
- Type of Impact:** Annual loss of revenue to the General Fund.
Increase in State assistance to Urban Enterprise Zone (UEZ) municipalities.
- Agencies Affected:** Division of Taxation; New Jersey Commerce and Economic Growth Commission; Urban Enterprise Zone municipalities.

Executive Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Revenue	(\$5,800,000)*	(\$13,750,000)	(\$14,450,000)
Local Revenue	\$5,800,000*	\$13,750,000	\$14,450,000

*Year 1 reflects a six month period.

- ! The Office of Legislative Services (OLS) **concurs** with the Executive estimate of initial revenue losses from the extended designation of UEZ's that are entering the final five year phase (years 16 through 20) of the reduced sales tax collection schedule and are no longer retaining any portion of reduced rate sales tax collections.
- ! The OLS notes that one-third of the division's estimate is already being returned to the subject zones pursuant to a language provision in the current FY 2001 appropriations act (and included in the FY 2002 budget bills, now pending as S-2500/A-2000 of 2001).
- ! The projected cost to the State can be expected to grow dramatically in future years (growing to \$105,000,000 by FY 2011) as the number of zones eligible for extension increases from five in FY2001 to all 27 zones by FY2011.
- ! The foregoing estimates *do not include* the additional loss of revenue from the establishment of three additional UEZs or the potential revenue impact from the designation of UEZ-impacted business zones, which the OLS notes could be considerable.

BILL DESCRIPTION

Senate Committee Substitute for Senate Bill No. 322 (2R) of 2000 directs the New Jersey Urban Enterprise Zone Authority to: 1) extend, in certain cases, the designation of an urban enterprise zone (UEZ); 2) create the new designation of a UEZ-impacted business district in an economically-distressed business district adjacent to two UEZs and allow certain businesses in those districts to collect the same reduced rate sales tax as those qualified businesses in the nearby UEZs; and 3) allow the designation of three more UEZs, including one joint municipality UEZ.

FISCAL ANALYSIS

EXECUTIVE BRANCH

The Division of Taxation estimates that implementation of this legislation will result in the loss of \$5.9 million, \$13.7 million, and \$14.5 million, respectively, in the first three years following enactment. Moreover, the division's estimate projects that the cost to the State will grow dramatically in future years (reaching \$46,000,000 by FY 2008 and growing to \$105,000,000 by FY 2011) as the number of zones potentially eligible for extension increases from five (Bridgeton, Camden, Newark, Plainfield and Trenton) in FY 2001 to all 27 zones by FY2011. The division's estimate is based on current reduced sales tax collections within the State's 27 UEZs and assumes sales tax revenue growth of 6 percent.

In addition to the revenue loss anticipated from the extension of existing zones, the division projects, based on annual sales tax data, that a new joint UEZ (which would include North Wildwood City, Wildwood City, Wildwood Crest Borough and West Wildwood Borough in Cape May County) would result in a total loss of \$2.75 million annually as a result of reduced sales tax collections and other zone benefits and incentives.

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services concurs with the Executive estimate based on historical revenue data provided by the Urban Enterprise Zone Authority. For clarification, the OLS notes that the division's estimate reflects the six percent sales tax which the State would have collected if the existing Urban Enterprise Zone program was allowed to expire pursuant to P.L. 1983, c.303 (C.52:27H-60 et al), and does not consider the (relatively minimal) costs to the State attributable to certain business tax credits and incentives available to participating zone businesses. The projected cost of this legislation is in addition to those revenues foregone (\$147 million in FY1999) to the State as a result of the original zone designations.

The OLS further notes that the first five UEZ's scheduled to expire on December 31, 2005 include Bridgeton, Camden, Newark, Plainfield and Trenton. Under the current program, these zones will enter their sixteenth year of operation beginning on January 1, 2001, at which time their share of the 50 percent reduced sales tax will fall to zero (with the State share equal to 100 percent of the reduced sales tax collections.) The OLS notes, however, that current and proposed budget language already returns to these five municipalities one-third of the revenues due to the State under the existing UEZ revenue allocation schedule. In current dollars, these five zones collectively generate sales tax revenues (at the full six percent rate) of about \$30 million.

(2R) SCS for S322

The OLS further notes that, as amended, this bill will redefine the 20-year lifespan of a zone to begin in the first year in which the zone municipality became eligible to charge the reduced sales tax (as opposed to the first year of designation as a zone). This amendment is intended to address the fact that four zone municipalities (Elizabeth, Jersey City, Kearney and Orange) were not eligible for the reduced sales tax at the time of designation (either 1985 or 1986, depending on the zone). Thus, if this bill is enacted, these four zones will become eligible for extended designations in FY2010 rather than FY2008.

Finally, the OLS is unable to estimate the loss of revenue from the addition of three new zones, since it is not known how many eligible zone businesses would become qualified zone business; however, the OLS generally notes that based on average revenue collections within existing UEZ's, the addition of Roselle and Bayonne as UEZ municipalities could be expected to initially reduce sales tax collections between \$6 million and \$10 million. (OLS accepts the division's estimate of \$2.75 million for a new joint Wildwood zone.)

Section: *Revenue, Finance and Appropriations*
Analyst: *Catherine Z. Brennan*
Senior Fiscal Analyst
Approved: *Alan R. Kooney*
Legislative Budget and Finance Officer

This fiscal note has been prepared pursuant to P.L.1980, c.67.

ASSEMBLY, No. 17

STATE OF NEW JERSEY

209th LEGISLATURE

INTRODUCED OCTOBER 30, 2000

Sponsored by:

Assemblyman NICHOLAS ASSELTA

District 1 (Cape May, Atlantic and Cumberland)

Assemblyman JOHN C. GIBSON

District 1 (Cape May, Atlantic and Cumberland)

SYNOPSIS

Directs UEZA to establish extended enterprise zones; creates an additional joint urban enterprise zone.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 11/13/2000)

1 AN ACT concerning urban enterprise zones, and amending and
2 supplementing P.L.1983, c.303 (C.52:27H-60 et seq.).
3

4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:
6

7 1. Section 2 of P.L.1983, c.303 (C.52:27H-61) is amended to read
8 as follows:

9 2. The Legislature finds and determines:

10 a. That there persist in this State, particularly in its urban centers,
11 areas of economic distress characterized by high unemployment, low
12 investment of new capital, blighted conditions, obsolete or abandoned
13 industrial or commercial structures, and deteriorating tax bases.

14 b. That the severe and persistent deterioration of these areas
15 demands vigorous and coordinated efforts by private and public
16 entities to restore their prosperity and enable them to resume
17 significant contributions to the economic and social life of the State.

18 c. That the economic revitalization of these areas requires
19 application of the skills and entrepreneurial vigor of private enterprise;
20 and it is the responsibility of government to provide a framework
21 within which encouragement be given to private capital investment in
22 these areas, disincentives to investment be removed or abated, and
23 mechanisms be provided for the coordination and cooperation of
24 private and public agencies in restoring the economic viability and
25 prosperity of these areas.

26 d. That certain urban areas which continue to experience high
27 levels of unemployment should be able to continue to receive the
28 aforementioned assistance and incentives necessary to promote
29 economic revitalization of those areas.

30 (cf: P.L.1983, c.303, s.2)
31

32 2. Section 3 of P.L.1983, c.303 (C.52:27H-62) is amended to read
33 as follows:

34 3. As used in this act:

35 a. "Enterprise zone" or "zone" means an urban enterprise zone
36 designated by the authority pursuant to this act;

37 b. "Authority" means the New Jersey Urban Enterprise Zone
38 Authority created by this act;

39 c. "Qualified business" means any entity authorized to do business
40 in the State of New Jersey which, at the time of designation as an
41 enterprise zone, is engaged in the active conduct of a trade or business
42 in that zone; or an entity which, after that designation but during the
43 designation period, becomes newly engaged in the active conduct of

EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.

Matter underlined thus is new matter.

1 a trade or business in that zone and has at least 25% of its full-time
2 employees employed at a business location in the zone, meeting one or
3 more of the following criteria:

4 (1) Residents within the zone, within another zone or within a
5 qualifying municipality; or

6 (2) Unemployed for at least six months prior to being hired and
7 residing in New Jersey, and recipients of New Jersey public assistance
8 programs for at least six months prior to being hired, or either of the
9 aforesaid; or

10 (3) Determined to be economically disadvantaged pursuant to the
11 Jobs Training Partnership Act, Pub.L.97-300 (29 U.S.C.1501 et seq.);

12 d. "Qualifying municipality" means any municipality in which there
13 was, in the last full calendar year immediately preceding the year in
14 which application for enterprise zone designation is submitted pursuant
15 to section 14 of P.L.1983, c.303 (C.52:27H-73), an annual average of
16 at least 2,000 unemployed persons, and in which the municipal average
17 annual unemployment rate for that year exceeded the State average
18 annual unemployment rate; except that any municipality which
19 qualifies for State aid pursuant to P.L.1978, c.14 (C.52:27D-178 et
20 seq.) shall qualify if its municipal average annual unemployment rate
21 for that year exceeded the State average annual unemployment rate.
22 The annual average of unemployed persons and the average annual
23 unemployment rates shall be estimated for the relevant calendar year
24 by the Office of Labor Statistics, Division of Planning and Research of
25 the State Department of Labor. In addition to those municipalities
26 that qualify pursuant to the criteria set forth above, that municipality
27 accorded priority designation pursuant to subsection e. of section 7 of
28 P.L.1983, c.303 (C.52:27H-66)[and], that municipality set forth in
29 paragraph (7) of section 3 of P.L.1995, c.382 (C.52:27H-66.1) and the
30 municipalities in which the additional joint enterprise zone is to be
31 designated pursuant to criteria according priority consideration for
32 designation of the joint zone pursuant to section 6 of P.L. , c. (C.)
33 (now before the Legislature as this bill) shall be deemed qualifying
34 municipalities;

35 e. "Public assistance" means income maintenance funds
36 administered by the Department of Human Services or by a county
37 welfare agency;

38 f. "Zone development corporation" means a nonprofit corporation
39 or association created or designated by the governing body of a
40 qualifying municipality to formulate and propose a preliminary zone
41 development plan pursuant to section 9 of P.L.1983, c.303
42 (C.52:27H-68) and to prepare, monitor, administer and implement the
43 zone development plan;

44 g. "Zone development plan" means a plan adopted by the
45 governing body of a qualifying municipality for the development of an
46 enterprise zone therein, and for the direction and coordination of

1 activities of the municipality, zone businesses and community
2 organizations within the enterprise zone toward the economic
3 betterment of the residents of the zone and the municipality;

4 h. "Zone neighborhood association" means a corporation or
5 association of persons who either are residents of, or have their
6 principal place of employment in, a municipality in which an enterprise
7 zone has been designated pursuant to this act; which is organized
8 under the provisions of Title 15 of the Revised Statutes or Title 15A
9 of the New Jersey Statutes; and which has for its principal purpose the
10 encouragement and support of community activities within, or on
11 behalf of, the zone so as to (1) stimulate economic activity, (2)
12 increase or preserve residential amenities, or (3) otherwise encourage
13 community cooperation in achieving the goals of the zone
14 development plan; and

15 i. "Enterprise zone assistance fund" or "assistance fund" means
16 the fund created by section 29 of P.L.1983, c.303 (C.52:27H-88).
17 (cf: P.L.1995, c.382, s.2)

18

19 3. Section 4 of P.L.1983, c.303 (C.52:27H-63) is amended to read
20 as follows:

21 4. a. There is created the New Jersey Urban Enterprise Zone
22 Authority, which shall consist of:

23 (1) The [Commissioner of the Department of Commerce, Energy
24 and Economic Development] Chief Executive Officer and Secretary
25 of the New Jersey Commerce and Economic Growth Commission,
26 who shall be chairman of the authority;

27 (2) The Commissioner of the Department of Community Affairs;

28 (3) The Commissioner of the Department of Labor;

29 (4) The State Treasurer; and

30 (5) Five public members not holding any other office, position or
31 employment in the State Government, nor any local elective office,
32 who shall be appointed by the Governor with the advice and consent
33 of the Senate, and who shall be qualified for their appointments by
34 training and experience in the areas of local government finance,
35 economic development and redevelopment, or volunteer civic service
36 and community organization. No more than three public members shall
37 be of the same political party. At least one public member of the
38 authority shall reside within an enterprise zone; however, the
39 provisions of this section shall apply only to members appointed or
40 reappointed after the effective date of P.L. , c. (C.) (now
41 before the Legislature as this bill).

42 b. The public members of the authority shall serve for terms of five
43 years, except that of the members first appointed, one shall serve for
44 a term of one year, one shall serve for a term of two years, one shall
45 serve for a term of three years, one shall serve for a term of four years,
46 and one shall serve for a term of five years. Vacancies in the public

1 membership shall be filled in the manner of the original appointments
2 but for the unexpired terms.

3 c. An ex officio member of the authority may, from time to time,
4 designate in writing to the authority an official within his respective
5 department to attend and represent the department at the meetings of
6 the authority from which the ex officio member is absent, and that
7 designated representative shall be entitled to vote and otherwise act
8 for the ex officio member at those meetings.
9 (cf: P.L.1988, c.93, s.2)

10

11 4. Section 7 of P.L.1983, c.303 (C.52:27H-66) is amended to read
12 as follows:

13 7. The authority shall designate enterprise zones from among those
14 areas of qualifying municipalities determined to be eligible pursuant to
15 this act. No more than [27] 28 enterprise zones shall be in effect at
16 any one time. No more than one enterprise zone shall be designated
17 in any one municipality. [Any] Except as otherwise provided by
18 section 6 of P.L. , c. (C.) (now before the Legislature as this
19 bill), any designation granted shall be for a period of 20 years,
20 beginning with the year in which a zone is eligible for an exemption to
21 the extent of 50% of the tax imposed under the "Sales and Use Tax
22 Act," P.L.1966, c.30 (C.54:32B-1 et seq.), and shall not be renewed
23 at the end of that period. In designating enterprise zones the authority
24 shall seek to avoid excessive geographic concentration of zones in any
25 particular region of the State. At least six of the 10 additional
26 enterprise zones authorized pursuant to section 3 of P.L.1993, c.367
27 shall be located in counties in which enterprise zones have not
28 previously been designated and shall be designated within 90 days of
29 the date of the submittal of an application and zone development plan.
30 The authority shall accept applications within 90 days of the effective
31 date of P.L.1993, c.367. Notwithstanding the provisions of P.L.1983,
32 c.303 (C.52:27H-60 et seq.) to the contrary, the six additional
33 enterprise zones to be designated by the authority pursuant to the
34 criteria for priority consideration in this section shall be entitled to an
35 exemption to the extent of 50% of the tax imposed under the "Sales
36 and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.). The
37 following criteria shall be utilized in according priority consideration
38 for designation of these zones by the authority:

39 a. One zone shall be located in a county of the second class with
40 a population greater than 595,000 and less than 675,000 according to
41 the latest federal decennial census and shall be located in the qualifying
42 municipality in that county with the highest annual average number of
43 unemployed persons and the highest average annual unemployment
44 rate for the 1992 calendar year according to the estimate by the State
45 Department of Labor;

46 b. Two zones shall be located in a county of the second class with

1 a population greater than 445,000 and less than 455,000 according to
2 the latest federal decennial census, one of which shall be located in the
3 qualifying municipality in that county with the highest annual average
4 number of unemployed persons and the highest average annual
5 unemployment rate for the 1992 calendar year according to the
6 estimate by the State Department of Labor, and one of which shall be
7 located in the qualifying municipality in that county with the second
8 highest annual average number of unemployed persons and the second
9 highest average annual unemployment rate for the 1992 calendar year
10 according to the estimate by the State Department of Labor;

11 c. One zone shall be located in a county of the third class with a
12 population greater than 84,000 and less than 92,000 according to the
13 latest federal decennial census and shall be located in the qualifying
14 municipality in that county with the highest annual average number of
15 unemployed persons and the highest average annual unemployment
16 rate for the 1992 calendar year according to the estimate by the State
17 Department of Labor;

18 d. One zone shall be located within two noncontiguous qualifying
19 municipalities but comprised of not more than two noncontiguous
20 areas each having a continuous border, if:

21 (1) both municipalities are located in the same county which shall
22 be a county of the fifth class with a population greater than 500,000
23 and less than 555,000 according to the latest federal decennial census;

24 (2) the two municipalities submit a joint application and zone
25 development plan; and

26 (3) each of the municipalities has a population greater than 16,000
27 and less than 30,000 and a population density of more than 5,000
28 persons per square mile, according to the latest federal decennial
29 census; and

30 e. One zone shall be located within a municipality having a
31 population greater than 38,000 and less than 46,000 according to the
32 latest federal decennial census if the municipality is located within a
33 county of the fifth class with a population greater than 340,000 and
34 less than 440,000 according to the latest federal decennial census.

35 (cf: P.L.1995, c.382, s.1)

36

37 5. Section 27 of P.L.1983, c.303 (C.52:27H-86) is amended to
38 read as follows:

39 27. To be eligible for any of the incentives provided under this act
40 a qualified business must demonstrate to the satisfaction of the
41 authority that:

42 a. The business will create new employment in the municipality;

43 b. The business will not create unemployment in other areas of the
44 State, including the municipality in which the zone is located.

45 c. For the purposes of eligibility for the incentives provided under

1 sections 17, 19, 20, and 21 of P.L.1983, c.303 (C.52:27H-76,
2 52:27H-78, 52:27H-79, and 52:27H-80, respectively), a qualified
3 business shall not be required to meet the requirements of subsection
4 a. of this section, if:

5 (1) [At the time of designation of the enterprise zone or at the time
6 zone designation is extended by expansion to the location of a
7 business, the qualified business had been engaged in the active conduct
8 of a trade or business in that zone or in the added area of that zone for
9 at least one year prior to that designation or expansion;] Deleted by
10 amendment, (P.L. _____)

11 (2) The qualified business employs fewer than 50 employees;

12 (3) The qualified business has entered into an agreement[,
13 approved by the authority,] with the governing body of the qualifying
14 municipality, or an officer or agent of the municipality designated by
15 the governing body, in which the enterprise zone is located, under
16 which the qualified business agrees to undertake an investment in the
17 enterprise zone in lieu of the employment of new employees. An
18 investment permitted under an agreement shall be in an amount and of
19 a nature which the municipal governing body and the authority find
20 shall contribute substantially to the economic attractiveness of the
21 enterprise zone, and may include, but shall not be limited to:

22 (a) The improvement of the exterior appearance or customer
23 facilities of the property constituting the place of business of the
24 qualified business within the zone; provided that the improvement is
25 of a permanent nature and not required to meet existing ordinances or
26 code regulations; or

27 (b) Monetary contributions to the qualifying municipality to
28 undertake improvements to increase the safety or attractiveness of the
29 zone to businesses which may wish to locate there or to consumer
30 visitors to the zone, including, but not limited to litter clean-up and
31 control, landscaping, parking areas and facilities, recreational and rest
32 areas and facilities, repair or improvements to public streets, curbing,
33 sidewalks and pedestrian thoroughfares, street lighting, or increased
34 police, fire or sanitation services in the enterprise zone.

35 In order to meet the requirements of paragraph (3) of this
36 subsection, an investment shall be in an amount no less than \$5,000.00
37 if the qualified business employs 10 or fewer employees, or if the
38 qualified business employs more than 10 employees, not less than the
39 amount produced by multiplying the number of employees employed
40 by the qualified business by \$500.00. A qualified business shall be
41 required to make an investment for each year the qualified business
42 does not meet the requirements of subsection a. of this section. In
43 order to receive the incentives permitted by this section, the business
44 shall provide written evidence of the investment to the authority.

45 (cf: P.L.1993, c.367, s.8)

1 6. (New section) a. Notwithstanding the provisions of any law,
2 rule, regulation or order to the contrary, the designation of an
3 enterprise zone by the authority pursuant to P.L.1983, c.303
4 (C.52:27H-60 et seq.), which is located in a municipality in which the
5 annual average of unemployed persons is equal to or greater than
6 2,000, or the municipal average annual unemployment rate exceeds the
7 State average annual unemployment rate, or an enterprise zone which
8 is located in a municipality contiguous to a municipality in which an
9 enterprise zone is designated pursuant to P.L.1983, c.303 (C.52:27H-
10 60 et seq.) and in which the annual average of unemployed persons is
11 equal to or greater than 2,000 or the municipal average annual
12 unemployment rate exceeds the State average annual unemployment
13 rate, shall, following the expiration of the third five-year period during
14 which the State shall have collected reduced rate revenues within the
15 zone as provided in subsection c. of section 21 of P.L.1983, c.303
16 (C.52:27H-80), be extended by the authority, on a one-time basis, for
17 a period of 13 years, within 90 days after the effective date of
18 P.L. , c. (C.) (now before the Legislature as this bill), or
19 within 90 days after the expiration of that third five-year period
20 whichever is later.

21 b. During the 90 day period provided for in subsection a. of this
22 section, the authority shall notify all qualified businesses in the
23 enterprise zone that the benefits authorized by sections 16 through 20
24 of P.L.1983, c.303 (C.52:27H-75 through C.52:27H-79) shall be
25 extended to qualified businesses in the enterprise zone commencing
26 with the designation of the extended enterprise zone and continuing as
27 long as a zone retains its designation as an extended enterprise zone.

28 c. Notwithstanding any other provisions of any law, rule or
29 regulation to the contrary, 90 days after the expiration of the period
30 provided for in subsection c. of section 21 of P.L.1983, c.303
31 (C.52:27H-80), except as provided in subsection b. of section 6 of
32 P.L.1996, c.124 (C.13:1E-116.6), and after first depositing 10 percent
33 of the gross amount of all revenues received from the taxation of retail
34 sales made by certified vendors from business locations in an extended
35 enterprise zone designated pursuant to subsection a. of this section, to
36 which this exemption shall apply into the account created in the name
37 of the authority in the enterprise zone assistance fund pursuant to
38 section 29 of P.L.1983, c.303 (C.52:27H-88), the remaining 90
39 percent shall be deposited immediately upon collection by the
40 Department of the Treasury, as follows:

41 (1) In the first four-year period during which the State shall have
42 collected reduced rate revenues within the extended enterprise zone,
43 all such revenues shall be deposited in the enterprise zone assistance
44 fund created pursuant to section 29 of P.L.1983, c.303
45 (C.52:27H-88);

46 (2) In the second four-year period during which the State shall

1 have collected reduced rate revenues within the extended enterprise
2 zone, 66 2/3% of all those revenues shall be deposited in the enterprise
3 zone assistance fund, and 33 1/3% shall be deposited in the General
4 Fund;

5 (3) In the third four-year period during which the State shall have
6 collected reduced rate revenues within the extended enterprise zone,
7 33 1/3% of all those revenues shall be deposited in the enterprise zone
8 assistance fund, and 66 2/3% shall be deposited in the General Fund;

9 (4) In the final year during which the State shall have collected
10 reduced rate revenues within the extended enterprise zone, but not to
11 exceed the life of the enterprise zone, all those revenues shall be
12 deposited in the General Fund.

13 The revenues required to be deposited in the enterprise zone
14 assistance fund under this section shall be used for the purposes of that
15 fund and for the uses prescribed in section 29 of P.L.1983, c.303
16 (C.52:27H-88), subject to annual appropriations being made for those
17 purposes and uses.

18 d. The designation as an extended enterprise zone pursuant to this
19 section shall terminate if the authority determines that the municipality
20 in which the zone is located fails to meet the criteria of subsection a.
21 of this section for three consecutive years. Any enterprise zone which
22 loses its designation as an extended enterprise zone pursuant to this
23 subsection shall be eligible to re-apply to the authority for designation
24 as an extended enterprise zone pursuant to the provisions of P.L.1983,
25 c.303 (C.52:27H-60 et seq.). If the authority approves its application,
26 an urban enterprise zone designation may be extended to the applicant
27 in accordance with the schedules set forth in P.L.1983, c.303
28 (C.52:27H-60 et seq.), beginning at the point where the enterprise
29 zone was located on such schedules on the effective date of
30 P.L. , c. (C.) (now before the Legislature as this bill).

31
32 7. (New section) The additional joint zone, authorized pursuant to
33 P.L. , c. (C.) (now before the Legislature as this bill), shall be
34 designated within 90 days of the date of the submittal of a joint
35 application and a joint zone development plan by the adjoining
36 municipalities. The authority shall accept applications within 90 days
37 of the effective date of P.L. , c. (C.) (now before the Legislature
38 as this bill). Notwithstanding the provisions of P.L.1983, c.303
39 (C.52:27H-60 et seq.) to the contrary, the additional joint enterprise
40 zone to be designated by the authority pursuant to the criteria for
41 priority consideration set forth in this section shall be entitled to an
42 exemption to the extent of 50% of the tax imposed under the "Sales
43 and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.). The
44 following criteria shall be utilized in according priority consideration
45 for designation of the additional joint enterprise zone authorized
46 pursuant to P.L. , c. (C.) (now before the Legislature as this bill):

1 a. The joint zone shall be located in four municipalities which are
2 adjacent to each other, one of which has a population greater than
3 5,000 and less than 5,500 according to the latest federal decennial
4 census, one of which has a population greater than 4,000 and less than
5 4,500 according to the latest federal decennial census, one of which
6 has a population greater than 3,000 and less than 4,000 according to
7 the latest federal decennial census, and one of which has a population
8 greater than 400 and less than 500 according to the latest federal
9 decennial census; and

10 b. The joint zone shall be located in a county of the sixth class
11 according to the latest federal decennial census.

12

13 8. This act shall take effect immediately, except that section 7 of
14 this act shall take effect on the first day of the third month following
15 enactment, but the State Treasurer and the Chief Executive Officer
16 and Secretary of the New Jersey Commerce and Economic Growth
17 Commission may take such anticipatory actions as may be necessary
18 for the implementation of this act.

19

20

21

STATEMENT

22

23 This bill directs the New Jersey Urban Enterprise Zone Authority
24 (the authority) to extend, in certain cases, the designation of an urban
25 enterprise zone (UEZ).

26 Under the bill, upon expiration of a UEZ's third five-year period of
27 reduced-rate sales tax collection, the UEZ authority would be required
28 to extend the zone's initial designation as a UEZ if the UEZ is located
29 in: (1) a municipality with an annual average of 2,000 or more
30 unemployed persons or a municipal average annual unemployment rate
31 exceeding the State average annual unemployment rate; or (2) a
32 municipality contiguous to such a UEZ municipality.

33 The designation extension would be made, on a one-time basis only
34 and for a 13-year period, within 90 days of the bill's enactment or the
35 expiration of the third five-year period, whichever is later.

36 The bill requires the authority to notify all qualified businesses
37 within the redesignated zone that, upon the redesignation, they will
38 receive UEZ benefits for as long as the zone retains its designation as
39 an extended zone. It provides that designation as an extended UEZ
40 would terminate if the authority determines that the municipality in
41 which the zone is located fails for three consecutive years to meet the
42 eligibility standards referred to above. Upon termination of an
43 extended designation, a zone could re-apply to the authority for zone
44 designation under the basic UEZ Act and, if the application is
45 approved, resume the remainder of the UEZ's designation as an
46 extended zone.

1 In addition, the bill: (a) deletes the limitation that only businesses
2 in a zone or a zone expansion area that exist at the time of designation
3 or expansion can use investment rather than hiring as an alternate
4 method of qualifying for zone benefits; (b) authorizes the governing
5 body of a municipality to designate an officer or agent to enter into
6 agreements with qualified businesses concerning investment in the
7 municipality instead of requiring approval by the authority for such
8 agreements; and (c) requires any new or reappointed public members
9 of the authority to reside within a UEZ.

10 The bill also authorizes the authority to designate an additional joint
11 UEZ. The bill provides that the additional joint UEZ be designated
12 in accordance with the following criteria for priority consideration:

13 a. The joint UEZ shall be located in four municipalities which are
14 adjacent to each other, (1) one of which has a population greater than
15 5,000 and less than 5,500 according to the latest federal decennial
16 census, (2) one of which has a population greater than 4,000 and less
17 than 4,500 according to the latest federal decennial census, (3) one of
18 which has a population greater than 3,000 and less than 4,000
19 according to the latest federal decennial census, and (4) one of which
20 has a population greater than 400 and less than 500 according to the
21 latest federal decennial census; and

22 b. The joint UEZ shall be located in a county of the sixth class
23 according to the latest federal decennial census.

24 The bill provides that the additional joint UEZ shall be entitled to
25 an exemption to the extent of 50% of the tax imposed under the "Sales
26 and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.).

27 At present, the additional joint UEZ would apply only to North
28 Wildwood City, Wildwood City, Wildwood Crest Borough and West
29 Wildwood Borough in Cape May County.

ASSEMBLY COMMERCE, TOURISM, GAMING AND
MILITARY AND VETERANS' AFFAIRS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 17

with committee amendments

STATE OF NEW JERSEY

DATED: MARCH 1, 2001

The Assembly Commerce, Tourism, Gaming and Military and Veterans' Affairs Committee reports favorably and with committee amendments Assembly Bill No. 17.

As amended by the committee, this bill directs the New Jersey Urban Enterprise Zone Authority to extend, in certain cases, the designation of an urban enterprise zone (UEZ).

Under current law, a UEZ remains in effect for 20 years consisting of four five-year periods. In each of the five-year periods, a certain amount of sales tax collected in the zone is retained by the UEZ to undertake economic development improvements and activities in the zone. In the first five-year period, the UEZ retains all of the reduced rate sales tax collected within the zone (50% of the 6% sales tax, or three cents). In the second five-year period, the UEZ retains 2/3 of the reduced rate sales tax collected within the zone (two cents). In the third five-year period, the UEZ retains 1/3 (one cent) and in the final five-year period, the UEZ retains none of the sales tax.

Under the bill, upon expiration of a UEZ's third five-year period of reduced-rate sales tax collection, the UEZ authority would be required to extend the zone's initial designation as a UEZ if the UEZ is located in: (1) a municipality with an annual average of 2,000 or more unemployed persons or a municipal average annual unemployment rate exceeding the State average annual unemployment rate; or (2) a municipality contiguous to a zone municipality described in (1). Specifically, the final five-year period, during which UEZ does not retain any sales tax, would be replaced by three four-year periods during which the UEZ would retain all, 2/3 and 1/3, respectively, of the reduced rate sales tax collected within the zone, and a final year during which the UEZ would retain no sales tax.

The bill provides that designation as an extended UEZ would terminate if the authority determines that the municipality in which the zone is located fails for three consecutive years to meet the eligibility standards referred to above. Upon termination of an extended designation, a zone could re-apply to the authority for zone

designation under the basic UEZ Act and, if the application is approved, resume the remainder of the UEZ's designation as an extended zone.

In addition, the bill requires at least one public member of the UEZ authority, appointed or reappointed after the effective date of this bill, to reside within a UEZ.

The bill also authorizes the authority to designate an additional joint UEZ. Currently only North Wildwood City, Wildwood City, Wildwood Crest Borough and West Wildwood Borough in Cape May County meet the criteria for the establishment of the additional joint zone. The bill provides that the additional joint UEZ shall be entitled to an exemption to the extent of 50% of the tax imposed under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.).

The committee adopted amendments to: restore the limitation that only businesses in a zone or a zone expansion area that exist at the time of designation or expansion can use investment rather than hiring as an alternate method of qualifying for zone benefits; (b) restore authority approval of agreements between municipalities and qualified business concerning investment in the municipality.

[First Reprint]

ASSEMBLY, No. 17

STATE OF NEW JERSEY
209th LEGISLATURE

INTRODUCED OCTOBER 30, 2000

Sponsored by:

Assemblyman NICHOLAS ASSELTA

District 1 (Cape May, Atlantic and Cumberland)

Assemblyman JOHN C. GIBSON

District 1 (Cape May, Atlantic and Cumberland)

Co-Sponsored by:

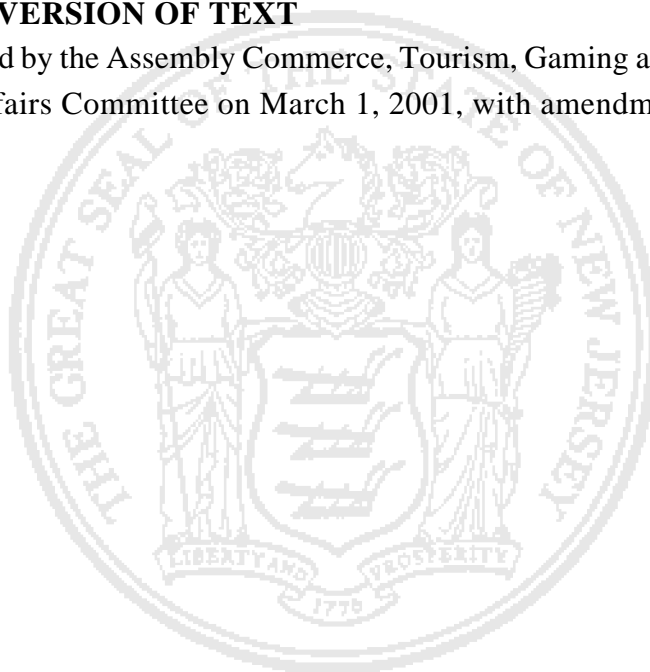
Assemblymen Charles, Cohen, Doria and Assemblywoman Gill

SYNOPSIS

Directs UEZA to establish extended enterprise zones; creates an additional joint urban enterprise zone.

CURRENT VERSION OF TEXT

As reported by the Assembly Commerce, Tourism, Gaming and Military and Veterans' Affairs Committee on March 1, 2001, with amendments.



(Sponsorship Updated As Of: 5/18/2001)

1 AN ACT concerning urban enterprise zones, and amending and
2 supplementing P.L.1983, c.303 (C.52:27H-60 et seq.).

3
4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6
7 1. Section 2 of P.L.1983, c.303 (C.52:27H-61) is amended to read
8 as follows:

9 2. The Legislature finds and determines:

10 a. That there persist in this State, particularly in its urban centers,
11 areas of economic distress characterized by high unemployment, low
12 investment of new capital, blighted conditions, obsolete or abandoned
13 industrial or commercial structures, and deteriorating tax bases.

14 b. That the severe and persistent deterioration of these areas
15 demands vigorous and coordinated efforts by private and public
16 entities to restore their prosperity and enable them to resume
17 significant contributions to the economic and social life of the State.

18 c. That the economic revitalization of these areas requires
19 application of the skills and entrepreneurial vigor of private enterprise;
20 and it is the responsibility of government to provide a framework
21 within which encouragement be given to private capital investment in
22 these areas, disincentives to investment be removed or abated, and
23 mechanisms be provided for the coordination and cooperation of
24 private and public agencies in restoring the economic viability and
25 prosperity of these areas.

26 d. That certain urban areas which continue to experience high
27 levels of unemployment should be able to continue to receive the
28 aforementioned assistance and incentives necessary to promote
29 economic revitalization of those areas.

30 (cf: P.L.1983, c.303, s.2)

31

32 2. Section 3 of P.L.1983, c.303 (C.52:27H-62) is amended to read
33 as follows:

34 3. As used in this act:

35 a. "Enterprise zone" or "zone" means an urban enterprise zone
36 designated by the authority pursuant to this act;

37 b. "Authority" means the New Jersey Urban Enterprise Zone
38 Authority created by this act;

39 c. "Qualified business" means any entity authorized to do business
40 in the State of New Jersey which, at the time of designation as an
41 enterprise zone, is engaged in the active conduct of a trade or business
42 in that zone; or an entity which, after that designation but during the

EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Assembly ACT committee amendments adopted March 1, 2001.

1 designation period, becomes newly engaged in the active conduct of
2 a trade or business in that zone and has at least 25% of its full-time
3 employees employed at a business location in the zone, meeting one or
4 more of the following criteria:

5 (1) Residents within the zone, within another zone or within a
6 qualifying municipality; or

7 (2) Unemployed for at least six months prior to being hired and
8 residing in New Jersey, and recipients of New Jersey public assistance
9 programs for at least six months prior to being hired, or either of the
10 aforesaid; or

11 (3) Determined to be economically disadvantaged pursuant to the
12 Jobs Training Partnership Act, Pub.L.97-300 (29 U.S.C.1501 et seq.);

13 d. "Qualifying municipality" means any municipality in which there
14 was, in the last full calendar year immediately preceding the year in
15 which application for enterprise zone designation is submitted pursuant
16 to section 14 of P.L.1983, c.303 (C.52:27H-73), an annual average of
17 at least 2,000 unemployed persons, and in which the municipal average
18 annual unemployment rate for that year exceeded the State average
19 annual unemployment rate; except that any municipality which
20 qualifies for State aid pursuant to P.L.1978, c.14 (C.52:27D-178 et
21 seq.) shall qualify if its municipal average annual unemployment rate
22 for that year exceeded the State average annual unemployment rate.
23 The annual average of unemployed persons and the average annual
24 unemployment rates shall be estimated for the relevant calendar year
25 by the Office of Labor Statistics, Division of Planning and Research of
26 the State Department of Labor. In addition to those municipalities
27 that qualify pursuant to the criteria set forth above, that municipality
28 accorded priority designation pursuant to subsection e. of section 7 of
29 P.L.1983, c.303 (C.52:27H-66)[and], that municipality set forth in
30 paragraph (7) of section 3 of P.L.1995, c.382 (C.52:27H-66.1) and the
31 municipalities in which the additional joint enterprise zone is to be
32 designated pursuant to criteria according priority consideration for
33 designation of the joint zone pursuant to section 6 of P.L. , c. (C.)
34 (now before the Legislature as this bill) shall be deemed qualifying
35 municipalities;

36 e. "Public assistance" means income maintenance funds
37 administered by the Department of Human Services or by a county
38 welfare agency;

39 f. "Zone development corporation" means a nonprofit corporation
40 or association created or designated by the governing body of a
41 qualifying municipality to formulate and propose a preliminary zone
42 development plan pursuant to section 9 of P.L.1983, c.303
43 (C.52:27H-68) and to prepare, monitor, administer and implement the
44 zone development plan;

45 g. "Zone development plan" means a plan adopted by the
46 governing body of a qualifying municipality for the development of an

1 enterprise zone therein, and for the direction and coordination of
2 activities of the municipality, zone businesses and community
3 organizations within the enterprise zone toward the economic
4 betterment of the residents of the zone and the municipality;

5 h. "Zone neighborhood association" means a corporation or
6 association of persons who either are residents of, or have their
7 principal place of employment in, a municipality in which an enterprise
8 zone has been designated pursuant to this act; which is organized
9 under the provisions of Title 15 of the Revised Statutes or Title 15A
10 of the New Jersey Statutes; and which has for its principal purpose the
11 encouragement and support of community activities within, or on
12 behalf of, the zone so as to (1) stimulate economic activity, (2)
13 increase or preserve residential amenities, or (3) otherwise encourage
14 community cooperation in achieving the goals of the zone
15 development plan; and

16 i. "Enterprise zone assistance fund" or "assistance fund" means the
17 fund created by section 29 of P.L.1983, c.303 (C.52:27H-88).
18 (cf: P.L.1995, c.382, s.2)

19
20 3. Section 4 of P.L.1983, c.303 (C.52:27H-63) is amended to read
21 as follows:

22 4. a. There is created the New Jersey Urban Enterprise Zone
23 Authority, which shall consist of:

24 (1) The [Commissioner of the Department of Commerce, Energy
25 and Economic Development] Chief Executive Officer and Secretary
26 of the New Jersey Commerce and Economic Growth Commission,
27 who shall be chairman of the authority;

28 (2) The Commissioner of the Department of Community Affairs;

29 (3) The Commissioner of the Department of Labor;

30 (4) The State Treasurer; and

31 (5) Five public members not holding any other office, position or
32 employment in the State Government, nor any local elective office,
33 who shall be appointed by the Governor with the advice and consent
34 of the Senate, and who shall be qualified for their appointments by
35 training and experience in the areas of local government finance,
36 economic development and redevelopment, or volunteer civic service
37 and community organization. No more than three public members shall
38 be of the same political party. At least one public member of the
39 authority shall reside within an enterprise zone; however, the
40 provisions of this section shall apply only to members appointed or
41 reappointed after the effective date of P.L. , c. (C.) (now
42 before the Legislature as this bill).

43 b. The public members of the authority shall serve for terms of five
44 years, except that of the members first appointed, one shall serve for
45 a term of one year, one shall serve for a term of two years, one shall
46 serve for a term of three years, one shall serve for a term of four years,

1 and one shall serve for a term of five years. Vacancies in the public
2 membership shall be filled in the manner of the original appointments
3 but for the unexpired terms.

4 c. An ex officio member of the authority may, from time to time,
5 designate in writing to the authority an official within his respective
6 department to attend and represent the department at the meetings of
7 the authority from which the ex officio member is absent, and that
8 designated representative shall be entitled to vote and otherwise act
9 for the ex officio member at those meetings.

10 (cf: P.L.1988, c.93, s.2)

11

12 4. Section 7 of P.L.1983, c.303 (C.52:27H-66) is amended to read
13 as follows:

14 7. The authority shall designate enterprise zones from among those
15 areas of qualifying municipalities determined to be eligible pursuant to
16 this act. No more than ~~[27]~~ 28 enterprise zones shall be in effect at
17 any one time. No more than one enterprise zone shall be designated
18 in any one municipality. ~~[Any]~~ Except as otherwise provided by
19 section 6 of P.L. , c. (C.) (now before the Legislature as this
20 bill), any designation granted shall be for a period of 20 years,
21 beginning with the year in which a zone is eligible for an exemption to
22 the extent of 50% of the tax imposed under the "Sales and Use Tax
23 Act," P.L.1966, c.30 (C.54:32B-1 et seq.), and shall not be renewed
24 at the end of that period. In designating enterprise zones the authority
25 shall seek to avoid excessive geographic concentration of zones in any
26 particular region of the State. At least six of the 10 additional
27 enterprise zones authorized pursuant to section 3 of P.L.1993, c.367
28 shall be located in counties in which enterprise zones have not
29 previously been designated and shall be designated within 90 days of
30 the date of the submittal of an application and zone development plan.
31 The authority shall accept applications within 90 days of the effective
32 date of P.L.1993, c.367. Notwithstanding the provisions of P.L.1983,
33 c.303 (C.52:27H-60 et seq.) to the contrary, the six additional
34 enterprise zones to be designated by the authority pursuant to the
35 criteria for priority consideration in this section shall be entitled to an
36 exemption to the extent of 50% of the tax imposed under the "Sales
37 and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.). The
38 following criteria shall be utilized in according priority consideration
39 for designation of these zones by the authority:

40 a. One zone shall be located in a county of the second class with
41 a population greater than 595,000 and less than 675,000 according to
42 the latest federal decennial census and shall be located in the qualifying
43 municipality in that county with the highest annual average number of
44 unemployed persons and the highest average annual unemployment
45 rate for the 1992 calendar year according to the estimate by the State
46 Department of Labor;

1 b. Two zones shall be located in a county of the second class with
2 a population greater than 445,000 and less than 455,000 according to
3 the latest federal decennial census, one of which shall be located in the
4 qualifying municipality in that county with the highest annual average
5 number of unemployed persons and the highest average annual
6 unemployment rate for the 1992 calendar year according to the
7 estimate by the State Department of Labor, and one of which shall be
8 located in the qualifying municipality in that county with the second
9 highest annual average number of unemployed persons and the second
10 highest average annual unemployment rate for the 1992 calendar year
11 according to the estimate by the State Department of Labor;

12 c. One zone shall be located in a county of the third class with a
13 population greater than 84,000 and less than 92,000 according to the
14 latest federal decennial census and shall be located in the qualifying
15 municipality in that county with the highest annual average number of
16 unemployed persons and the highest average annual unemployment
17 rate for the 1992 calendar year according to the estimate by the State
18 Department of Labor;

19 d. One zone shall be located within two noncontiguous qualifying
20 municipalities but comprised of not more than two noncontiguous
21 areas each having a continuous border, if:

22 (1) both municipalities are located in the same county which shall
23 be a county of the fifth class with a population greater than 500,000
24 and less than 555,000 according to the latest federal decennial census;

25 (2) the two municipalities submit a joint application and zone
26 development plan; and

27 (3) each of the municipalities has a population greater than 16,000
28 and less than 30,000 and a population density of more than 5,000
29 persons per square mile, according to the latest federal decennial
30 census; and

31 e. One zone shall be located within a municipality having a
32 population greater than 38,000 and less than 46,000 according to the
33 latest federal decennial census if the municipality is located within a
34 county of the fifth class with a population greater than 340,000 and
35 less than 440,000 according to the latest federal decennial census.

36 (cf: P.L.1995, c.382, s.1)

37

38 5. Section 27 of P.L.1983, c.303 (C.52:27H-86) is amended to
39 read as follows:

40 27. To be eligible for any of the incentives provided under this act
41 a qualified business must demonstrate to the satisfaction of the
42 authority that:

43 a. The business will create new employment in the municipality;

44 b. The business will not create unemployment in other areas of the
45 State, including the municipality in which the zone is located.

46 c. For the purposes of eligibility for the incentives provided under

1 sections 17, 19, 20, and 21 of P.L.1983, c.303 (C.52:27H-76,
2 52:27H-78, 52:27H-79, and 52:27H-80, respectively), a qualified
3 business shall not be required to meet the requirements of subsection
4 a. of this section, if:

5 (1) ~~At the time of designation of the enterprise zone or at the time~~
6 ~~zone designation is extended by expansion to the location of a~~
7 ~~business, the qualified business had been engaged in the active conduct~~
8 ~~of a trade or business in that zone or in the added area of that zone for~~
9 ~~at least one year prior to that designation or expansion;]~~ ¹~~[Deleted by~~
10 ~~amendment, (P.L. _____)]~~ At the time of designation of the enterprise
11 zone or at the time zone designation is extended by expansion to the
12 location of a business, the qualified business had been engaged in the
13 active conduct of a trade or business in that zone or in the added area
14 of that zone for at least one year prior to that designation or
15 expansion;¹

16 (2) The qualified business employs fewer than 50 employees; ¹and¹

17 (3) The qualified business has entered into an agreement[,
18 approved by the authority,]¹ approved by the authority. ¹with the
19 governing body of the qualifying municipality¹ [, or an officer or agent
20 of the municipality designated by the governing body.]¹ in which the
21 enterprise zone is located, under which the qualified business agrees
22 to undertake an investment in the enterprise zone in lieu of the
23 employment of new employees. An investment permitted under an
24 agreement shall be in an amount and of a nature which the municipal
25 governing body and the authority find shall contribute substantially to
26 the economic attractiveness of the enterprise zone, and may include,
27 but shall not be limited to:

28 (a) The improvement of the exterior appearance or customer
29 facilities of the property constituting the place of business of the
30 qualified business within the zone; provided that the improvement is
31 of a permanent nature and not required to meet existing ordinances or
32 code regulations; or

33 (b) Monetary contributions to the qualifying municipality to
34 undertake improvements to increase the safety or attractiveness of the
35 zone to businesses which may wish to locate there or to consumer
36 visitors to the zone, including, but not limited to litter clean-up and
37 control, landscaping, parking areas and facilities, recreational and rest
38 areas and facilities, repair or improvements to public streets, curbing,
39 sidewalks and pedestrian thoroughfares, street lighting, or increased
40 police, fire or sanitation services in the enterprise zone.

41 In order to meet the requirements of paragraph (3) of this
42 subsection, an investment shall be in an amount no less than \$5,000.00
43 if the qualified business employs 10 or fewer employees, or if the
44 qualified business employs more than 10 employees, not less than the
45 amount produced by multiplying the number of employees employed
46 by the qualified business by \$500.00. A qualified business shall be

1 required to make an investment for each year the qualified business
2 does not meet the requirements of subsection a. of this section. In
3 order to receive the incentives permitted by this section, the business
4 shall provide written evidence of the investment to the authority.

5 (cf: P.L.1993, c.367, s.8)

6

7 6. (New section) a. Notwithstanding the provisions of any law,
8 rule, regulation or order to the contrary, the designation of an
9 enterprise zone by the authority pursuant to P.L.1983, c.303
10 (C.52:27H-60 et seq.), which is located in a municipality in which the
11 annual average of unemployed persons is equal to or greater than
12 2,000, or the municipal average annual unemployment rate exceeds the
13 State average annual unemployment rate, or an enterprise zone which
14 is located in a municipality contiguous to a municipality in which an
15 enterprise zone is designated pursuant to P.L.1983, c.303 (C.52:27H-
16 60 et seq.) and in which the annual average of unemployed persons is
17 equal to or greater than 2,000 or the municipal average annual
18 unemployment rate exceeds the State average annual unemployment
19 rate, shall, following the expiration of the third five-year period during
20 which the State shall have collected reduced rate revenues within the
21 zone as provided in subsection c. of section 21 of P.L.1983, c.303
22 (C.52:27H-80), be extended by the authority, on a one-time basis, for
23 a period of 13 years, within 90 days after the effective date of
24 P.L. , c. (C.) (now before the Legislature as this bill), or
25 within 90 days after the expiration of that third five-year period
26 whichever is later.

27 b. During the 90 day period provided for in subsection a. of this
28 section, the authority shall notify all qualified businesses in the
29 enterprise zone that the benefits authorized by sections 16 through 20
30 of P.L.1983, c.303 (C.52:27H-75 through C.52:27H-79) shall be
31 extended to qualified businesses in the enterprise zone commencing
32 with the designation of the extended enterprise zone and continuing as
33 long as a zone retains its designation as an extended enterprise zone.

34 c. Notwithstanding any other provisions of any law, rule or
35 regulation to the contrary, 90 days after the expiration of the period
36 provided for in subsection c. of section 21 of P.L.1983, c.303
37 (C.52:27H-80), except as provided in subsection b. of section 6 of
38 P.L.1996, c.124 (C.13:1E-116.6), and after first depositing 10 percent
39 of the gross amount of all revenues received from the taxation of retail
40 sales made by certified vendors from business locations in an extended
41 enterprise zone designated pursuant to subsection a. of this section, to
42 which this exemption shall apply into the account created in the name
43 of the authority in the enterprise zone assistance fund pursuant to
44 section 29 of P.L.1983, c.303 (C.52:27H-88), the remaining
45 90 percent shall be deposited immediately upon collection by the
46 Department of the Treasury, as follows:

1 (1) In the first four-year period during which the State shall have
2 collected reduced rate revenues within the extended enterprise zone,
3 all such revenues shall be deposited in the enterprise zone assistance
4 fund created pursuant to section 29 of P.L.1983, c.303
5 (C.52:27H-88);

6 (2) In the second four-year period during which the State shall
7 have collected reduced rate revenues within the extended enterprise
8 zone, 66 2/3% of all those revenues shall be deposited in the enterprise
9 zone assistance fund, and 33 1/3% shall be deposited in the General
10 Fund;

11 (3) In the third four-year period during which the State shall have
12 collected reduced rate revenues within the extended enterprise zone,
13 33 1/3% of all those revenues shall be deposited in the enterprise zone
14 assistance fund, and 66 2/3% shall be deposited in the General Fund;

15 (4) In the final year during which the State shall have collected
16 reduced rate revenues within the extended enterprise zone, but not to
17 exceed the life of the enterprise zone, all those revenues shall be
18 deposited in the General Fund.

19 The revenues required to be deposited in the enterprise zone
20 assistance fund under this section shall be used for the purposes of that
21 fund and for the uses prescribed in section 29 of P.L.1983, c.303
22 (C.52:27H-88), subject to annual appropriations being made for those
23 purposes and uses.

24 d. The designation as an extended enterprise zone pursuant to this
25 section shall terminate if the authority determines that the municipality
26 in which the zone is located fails to meet the criteria of subsection a.
27 of this section for three consecutive years. Any enterprise zone which
28 loses its designation as an extended enterprise zone pursuant to this
29 subsection shall be eligible to re-apply to the authority for designation
30 as an extended enterprise zone pursuant to the provisions of P.L.1983,
31 c.303 (C.52:27H-60 et seq.). If the authority approves its application,
32 an urban enterprise zone designation may be extended to the applicant
33 in accordance with the schedules set forth in P.L.1983, c.303
34 (C.52:27H-60 et seq.), beginning at the point where the enterprise
35 zone was located on such schedules on the effective date of
36 P.L. , c. (C.) (now before the Legislature as this bill).

37
38 7. (New section) The additional joint zone, authorized pursuant to
39 P.L. , c. (C.) (now before the Legislature as this bill), shall be
40 designated within 90 days of the date of the submittal of a joint
41 application and a joint zone development plan by the adjoining
42 municipalities. The authority shall accept applications within 90 days
43 of the effective date of P.L. , c. (C.) (now before the Legislature
44 as this bill). Notwithstanding the provisions of P.L.1983, c.303
45 (C.52:27H-60 et seq.) to the contrary, the additional joint enterprise
46 zone to be designated by the authority pursuant to the criteria for

1 priority consideration set forth in this section shall be entitled to an
2 exemption to the extent of 50% of the tax imposed under the "Sales
3 and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.). The
4 following criteria shall be utilized in according priority consideration
5 for designation of the additional joint enterprise zone authorized
6 pursuant to P.L. , c. (C.) (now before the Legislature as this bill):

7 a. The joint zone shall be located in four municipalities which are
8 adjacent to each other, one of which has a population greater than
9 5,000 and less than 5,500 according to the latest federal decennial
10 census, one of which has a population greater than 4,000 and less than
11 4,500 according to the latest federal decennial census, one of which
12 has a population greater than 3,000 and less than 4,000 according to
13 the latest federal decennial census, and one of which has a population
14 greater than 400 and less than 500 according to the latest federal
15 decennial census; and

16 b. The joint zone shall be located in a county of the sixth class
17 according to the latest federal decennial census.

18

19 8. This act shall take effect immediately, except that section 7 of
20 this act shall take effect on the first day of the third month following
21 enactment, but the State Treasurer and the Chief Executive Officer
22 and Secretary of the New Jersey Commerce and Economic Growth
23 Commission may take such anticipatory actions as may be necessary
24 for the implementation of this act.

ASSEMBLY COMMITTEE SUBSTITUTE FOR
ASSEMBLY, No. 17

STATE OF NEW JERSEY
209th LEGISLATURE

ADOPTED MAY 17, 2001

Sponsored by:

Assemblyman NICHOLAS ASSELTA

District 1 (Cape May, Atlantic and Cumberland)

Assemblyman JOHN C. GIBSON

District 1 (Cape May, Atlantic and Cumberland)

Assemblyman GERALD H. ZECKER

District 34 (Essex and Passaic)

Assemblywoman BONNIE WATSON COLEMAN

District 15 (Mercer)

Co-Sponsored by:

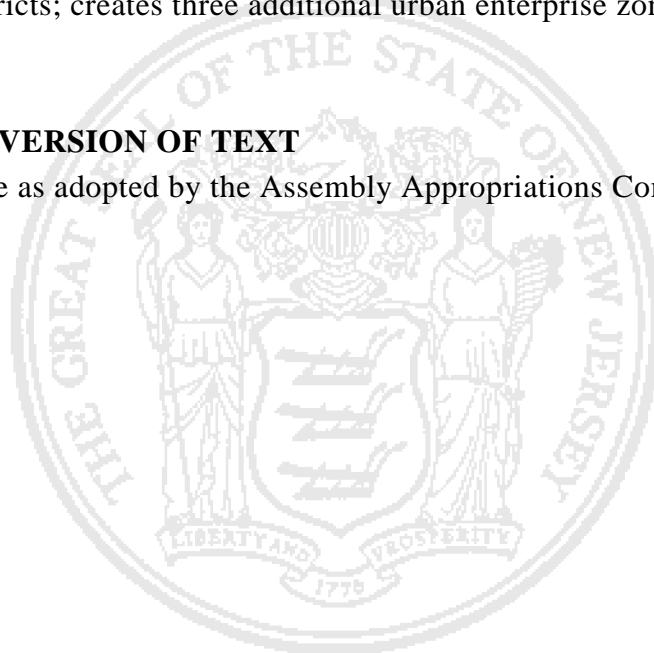
Assemblymen Charles, Cohen, Doria and Assemblywoman Gill

SYNOPSIS

Directs UEZA to establish extended enterprise zones and UEZ-impacted business districts; creates three additional urban enterprise zones, one a joint zone.

CURRENT VERSION OF TEXT

Substitute as adopted by the Assembly Appropriations Committee.



1 AN ACT concerning urban enterprise zones and enterprise zone-
2 impacted business districts, amending and supplementing P.L.1983,
3 c.303 (C.52:27H-60 et seq.).
4

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

7
8 1. Section 2 of P.L.1983, c.303 (C.52:27H-61) is amended to read
9 as follows:

10 2. The Legislature finds and determines:

11 a. That there persist in this State, particularly in its urban centers,
12 areas of economic distress characterized by high unemployment, low
13 investment of new capital, blighted conditions, obsolete or abandoned
14 industrial or commercial structures, and deteriorating tax bases.

15 b. That the severe and persistent deterioration of these areas
16 demands vigorous and coordinated efforts by private and public
17 entities to restore their prosperity and enable them to resume
18 significant contributions to the economic and social life of the State.

19 c. That the economic revitalization of these areas requires
20 application of the skills and entrepreneurial vigor of private enterprise;
21 and it is the responsibility of government to provide a framework
22 within which encouragement be given to private capital investment in
23 these areas, disincentives to investment be removed or abated, and
24 mechanisms be provided for the coordination and cooperation of
25 private and public agencies in restoring the economic viability and
26 prosperity of these areas.

27 d. That certain urban areas which continue to experience high
28 levels of unemployment should be able to continue to receive the
29 aforementioned assistance and incentives necessary to promote
30 economic revitalization of those areas.

31 e. That a business district with urban enterprise zones adjacent to
32 it on two or more sides can be negatively impacted because the
33 businesses in the adjacent enterprise zones are permitted to collect
34 50% less sales tax and thus have a significant advantage in competition
35 for customers. The impacted business district can become
36 economically distressed because there is a disincentive to businesses
37 to invest in or stay in that business district.

38 (cf: P.L.1983, c.303, s.2)
39

40 2. Section 3 of P.L.1983, c.303 (C.52:27H-62) is amended to read
41 as follows:

42 3. As used in this act:

43 a. "Enterprise zone" or "zone" means an urban enterprise zone

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.

1 designated by the authority pursuant to this act;

2 b. "Authority" means the New Jersey Urban Enterprise Zone
3 Authority created by this act;

4 c. "Qualified business" means any entity authorized to do business
5 in the State of New Jersey which, at the time of designation as an
6 enterprise zone or a UEZ-impacted business district, is engaged in the
7 active conduct of a trade or business in that zone or district; or an
8 entity which, after that designation but during the designation period,
9 becomes newly engaged in the active conduct of a trade or business in
10 that zone or district and has at least 25% of its full-time employees
11 employed at a business location in the zone or district, meeting one or
12 more of the following criteria:

13 (1) Residents within the zone, the district, within another zone or
14 within a qualifying municipality; or

15 (2) Unemployed for at least six months prior to being hired and
16 residing in New Jersey, and recipients of New Jersey public assistance
17 programs for at least six months prior to being hired, or either of the
18 aforesaid; or

19 (3) Determined to be [economically disadvantaged pursuant to the
20 Jobs Training Partnership Act, Pub.L.97-300 (29 U.S.C.1501 et seq.)]
21 low income individuals pursuant to the Workforce Investment Act of
22 1998, Pub. L. 105-220 (29 U.S.C. 2811);

23 d. "Qualifying municipality" means any municipality in which there
24 was, in the last full calendar year immediately preceding the year in
25 which application for enterprise zone designation is submitted pursuant
26 to section 14 of P.L.1983, c.303 (C.52:27H-73), an annual average of
27 at least 2,000 unemployed persons, and in which the municipal average
28 annual unemployment rate for that year exceeded the State average
29 annual unemployment rate; except that any municipality which
30 qualifies for State aid pursuant to P.L.1978, c.14 (C.52:27D-178 et
31 seq.) shall qualify if its municipal average annual unemployment rate
32 for that year exceeded the State average annual unemployment rate.
33 The annual average of unemployed persons and the average annual
34 unemployment rates shall be estimated for the relevant calendar year
35 by the Office of Labor [Statistics, Division of] Planning and
36 [Research] Analysis of the State Department of Labor. In addition to
37 those municipalities that qualify pursuant to the criteria set forth
38 above, that municipality accorded priority designation pursuant to
39 subsection e. of section 7 of P.L.1983, c.303 (C.52:27H-66)[and],
40 that municipality set forth in paragraph (7) of section 3 of P.L.1995,
41 c.382 (C.52:27H-66.1) and the municipalities in which the three
42 additional enterprise zones, including the joint enterprise zone, are to
43 be designated pursuant to criteria according priority consideration for
44 designation of the zones pursuant to section 12 of P.L. , c. (C.)
45 (now before the Legislature as this bill) shall be deemed qualifying
46 municipalities;

- 1 e. "Public assistance" means income maintenance funds
2 administered by the Department of Human Services or by a county
3 welfare agency;
- 4 f. "Zone development corporation" means a nonprofit corporation
5 or association created or designated by the governing body of a
6 qualifying municipality to formulate and propose a preliminary zone
7 development plan pursuant to section 9 of P.L.1983, c.303
8 (C.52:27H-68) and to prepare, monitor, administer and implement the
9 zone development plan;
- 10 g. "Zone development plan" means a plan adopted by the
11 governing body of a qualifying municipality for the development of an
12 enterprise zone therein, and for the direction and coordination of
13 activities of the municipality, zone businesses and community
14 organizations within the enterprise zone toward the economic
15 betterment of the residents of the zone and the municipality;
- 16 h. "Zone neighborhood association" means a corporation or
17 association of persons who either are residents of, or have their
18 principal place of employment in, a municipality in which an enterprise
19 zone has been designated pursuant to this act; which is organized
20 under the provisions of Title 15 of the Revised Statutes or Title 15A
21 of the New Jersey Statutes; and which has for its principal purpose the
22 encouragement and support of community activities within, or on
23 behalf of, the zone so as to (1) stimulate economic activity, (2)
24 increase or preserve residential amenities, or (3) otherwise encourage
25 community cooperation in achieving the goals of the zone
26 development plan; and
- 27 [and]
- 28 i. "Enterprise zone assistance fund" or "assistance fund" means the
29 fund created by section 29 of P.L.1983, c.303 (C.52:27H-88); and
- 30 j. "UEZ-impacted business district" or "district" means an
31 economically-distressed business district classified by the authority
32 as having been negatively impacted by two or more adjacent urban
33 enterprise zones in which 50% less sales tax is collected pursuant to
34 section 21 of P.L. 1983, c. 303 (C.52:27H-80).
35 (cf: P.L.1995, c.382, s.2)
- 36
- 37 3. (New section) The authority shall designate a classification
38 known as a "UEZ-impacted business district" for a municipality which
39 can demonstrate to the authority that its business district is
40 economically distressed and is being negatively impacted by the
41 presence of two or more adjacent enterprise zones in which 50% less
42 sales tax is collected pursuant to section 21 of P.L. 1983, c. 303
43 (C.52:27H-80).
- 44
- 45 4. (New section) a. A municipality shall apply to the authority for
46 the classification of UEZ-impacted business district by submitting an

1 application as required by the authority along with detailed findings
2 made after a public hearing that the business district is economically
3 distressed and that the adjacent enterprise zones are having a negative
4 impact upon the municipality's business district.

5 b. In according consideration for designation of the UEZ-impacted
6 business district classification authorized pursuant to section 3 of P.L.
7 c. (C.) (now pending before the Legislature as this bill), the following
8 criteria shall be utilized by the authority:

9 (1) the district shall be located in a municipality which is between
10 two municipalities each of which has an enterprise zone; and

11 (2) the borders of the two enterprise zones of the adjacent
12 municipalities shall in part be contiguous to the border of the
13 applicant municipality.

14

15 5. (New section) a. A qualified business within a UEZ-impacted
16 business district authorized pursuant to section 3 of P.L. ,
17 c. (C.) (now pending before the Legislature as this bill) shall be
18 entitled to an exemption to the extent of 50% from the tax imposed
19 under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.)
20 in accordance with section 21 of the "New Jersey Urban Enterprise
21 Zones Act," P.L.1983, c.303 (C.52:27H-80) to the same extent as that
22 granted to qualified businesses in the adjacent enterprise zones
23 provided that the qualified business applies to the Director of the
24 Division of Taxation in the Department of the Treasury for
25 certification pursuant to section 21 of P.L.1983, c.303 (C.52:27H-80),
26 meets the eligibility criteria of section 27 of P.L.1983, c.303
27 (C.52:27H-86), and satisfies the annual certification requirements of
28 section 28 of P.L.1983, c.303 (C.52:27H-87).

29 b. The reduced rate revenues authorized by this section and
30 received from the taxation of retail sales made by qualified businesses
31 in the UEZ-impacted business district shall be deposited in the General
32 Fund and not allocated in accordance with section 21 of the "New
33 Jersey Urban Enterprise Zones Act," P.L.1983, c.303 (C.52:27H-80),
34 to the enterprise zone assistance fund.

35 c. Other than the reduction in sales tax rate provided to qualified
36 businesses pursuant to this section, no tax credits, incentives, programs
37 or other benefits of the "New Jersey Urban Enterprise Zones Act,"
38 P.L.1983, c.303 (C.52:27H-60 et seq.), shall be available to businesses
39 in the district as a result of a UEZ-impacted business district
40 designation.

41

42 6. (New section) When the duration of one or more of the
43 enterprise zones adjacent to the UEZ-impacted business district expires
44 but the UEZ-impacted business district continues to be adjacent to one
45 or more remaining enterprise zones, the authority shall review the
46 designation of the UEZ-impacted business district. If upon conducting
47 a hearing, the authority finds that the business district continues to be

1 economically distressed and negatively impacted by the remaining
2 adjacent enterprise zone, the UEZ-impacted business district
3 designation shall be continued. The designation of UEZ-impacted
4 business district shall terminate automatically when the duration of the
5 last enterprise zone adjacent to the district ends.

6
7 7. Section 4 of P.L.1983, c.303 (C.52:27H-63) is amended to read
8 as follows:

9 4. a. There is created the New Jersey Urban Enterprise Zone
10 Authority, which shall consist of:

11 (1) The [Commissioner of the Department of Commerce, Energy
12 and Economic Development] Chief Executive Officer and Secretary
13 of the New Jersey Commerce and Economic Growth Commission,
14 who shall be chairman of the authority;

15 (2) The Commissioner of the Department of Community Affairs;

16 (3) The Commissioner of the Department of Labor;

17 (4) The State Treasurer; and

18 (5) Five public members not holding any other office, position or
19 employment in the State Government, nor any local elective office,
20 who shall be appointed by the Governor with the advice and consent
21 of the Senate, and who shall be qualified for their appointments by
22 training and experience in the areas of local government finance,
23 economic development and redevelopment, or volunteer civic service
24 and community organization. No more than three public members shall
25 be of the same political party. At least one public member of the
26 authority shall reside within an enterprise zone; however, the
27 provisions of this section shall apply only to members appointed or
28 reappointed after the effective date of P.L. , c. (C.) (now
29 before the Legislature as this bill).

30 b. The public members of the authority shall serve for terms of
31 five years, except that of the members first appointed, one shall serve
32 for a term of one year, one shall serve for a term of two years, one
33 shall serve for a term of three years, one shall serve for a term of four
34 years, and one shall serve for a term of five years. Vacancies in the
35 public membership shall be filled in the manner of the original
36 appointments but for the unexpired terms.

37 c. An ex officio member of the authority may, from time to time,
38 designate in writing to the authority an official within his respective
39 department to attend and represent the department at the meetings of
40 the authority from which the ex officio member is absent, and that
41 designated representative shall be entitled to vote and otherwise act
42 for the ex officio member at those meetings.

43 (cf: P.L.1988, c.93, s.2)

44
45 8. Section 7 of P.L.1983, c.303 (C.52:27H-66) is amended to read
46 as follows:

1 7. The authority shall designate enterprise zones from among
2 those areas of qualifying municipalities determined to be eligible
3 pursuant to this act. No more than ~~[27]~~ 30 enterprise zones shall be
4 in effect at any one time. No more than one enterprise zone shall be
5 designated in any one municipality. ~~[Any]~~ Except as otherwise
6 provided by section 11 of P.L. , c. (C.) (now before the
7 Legislature as this bill), any designation granted shall be for a period
8 of 20 years, beginning with the year in which a zone is eligible for an
9 exemption to the extent of 50% of the tax imposed under the "Sales
10 and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.), and shall not
11 be renewed at the end of that period. In designating enterprise zones
12 the authority shall seek to avoid excessive geographic concentration
13 of zones in any particular region of the State. At least six of the 10
14 additional enterprise zones authorized pursuant to section 3 of
15 P.L.1993, c.367 shall be located in counties in which enterprise zones
16 have not previously been designated and shall be designated within 90
17 days of the date of the submittal of an application and zone
18 development plan. The authority shall accept applications within 90
19 days of the effective date of P.L.1993, c.367. Notwithstanding the
20 provisions of P.L.1983, c.303 (C.52:27H-60 et seq.) to the contrary,
21 the six additional enterprise zones to be designated by the authority
22 pursuant to the criteria for priority consideration in this section shall
23 be entitled to an exemption to the extent of 50% of the tax imposed
24 under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et
25 seq.). The following criteria shall be utilized in according priority
26 consideration for designation of these zones by the authority:

27 a. One zone shall be located in a county of the second class with
28 a population greater than 595,000 and less than 675,000 according to
29 the latest federal decennial census and shall be located in the qualifying
30 municipality in that county with the highest annual average number of
31 unemployed persons and the highest average annual unemployment
32 rate for the 1992 calendar year according to the estimate by the State
33 Department of Labor;

34 b. Two zones shall be located in a county of the second class with
35 a population greater than 445,000 and less than 455,000 according to
36 the latest federal decennial census, one of which shall be located in the
37 qualifying municipality in that county with the highest annual average
38 number of unemployed persons and the highest average annual
39 unemployment rate for the 1992 calendar year according to the
40 estimate by the State Department of Labor, and one of which shall be
41 located in the qualifying municipality in that county with the second
42 highest annual average number of unemployed persons and the second
43 highest average annual unemployment rate for the 1992 calendar year
44 according to the estimate by the State Department of Labor;

45 c. One zone shall be located in a county of the third class with a
46 population greater than 84,000 and less than 92,000 according to the

1 latest federal decennial census and shall be located in the qualifying
2 municipality in that county with the highest annual average number of
3 unemployed persons and the highest average annual unemployment
4 rate for the 1992 calendar year according to the estimate by the State
5 Department of Labor;

6 d. One zone shall be located within two noncontiguous qualifying
7 municipalities but comprised of not more than two noncontiguous
8 areas each having a continuous border, if:

9 (1) both municipalities are located in the same county which shall
10 be a county of the fifth class with a population greater than 500,000
11 and less than 555,000 according to the latest federal decennial census;

12 (2) the two municipalities submit a joint application and zone
13 development plan; and

14 (3) each of the municipalities has a population greater than 16,000
15 and less than 30,000 and a population density of more than 5,000
16 persons per square mile, according to the latest federal decennial
17 census; and

18 e. One zone shall be located within a municipality having a
19 population greater than 38,000 and less than 46,000 according to the
20 latest federal decennial census if the municipality is located within a
21 county of the fifth class with a population greater than 340,000 and
22 less than 440,000 according to the latest federal decennial census.

23 (cf: P.L.1995, c.382, s.1)

24

25 9. Section 21 of P.L.1983, c.303 (C.52:27H-80) is amended to read
26 as follows:

27 21. Receipts of retail sales, except retail sales of motor vehicles,
28 of alcoholic beverages as defined in the "Alcoholic Beverage Tax
29 Law," R.S.54:41-1 et seq., of cigarettes as defined in the "Cigarette Tax
30 Act," P.L.1948, c.65 (C.54:40A-1 et seq.), of manufacturing machinery,
31 equipment or apparatus, and of energy, made by a certified vendor from
32 a place of business owned or leased and regularly operated by the
33 vendor for the purpose of making retail sales, and located in a
34 designated enterprise zone established pursuant to the "New Jersey
35 Urban Enterprise Zones Act," P.L.1983, c.303 (C.52:27H-60 et al.), or
36 a UEZ-impacted business district established pursuant to section 3 of
37 P.L. , c . (C.) (now pending before the Legislature as this bill), are
38 exempt to the extent of 50% of the tax imposed under the "Sales and
39 Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.)

40 Any vendor, which is a qualified business having a place of
41 business located in a designated enterprise zone or in a designated
42 UEZ-impacted business district, may apply to the Director of the
43 Division of Taxation in the Department of the Treasury for certification
44 pursuant to this section. The director shall certify a vendor if he shall
45 find that the vendor owns or leases and regularly operates a place of
46 business located in the designated enterprise zone or in the designated

1 UEZ-impacted business district for the purpose of making retail sales,
2 that items are regularly exhibited and offered for retail sale at that
3 location, and that the place of business is not utilized primarily for the
4 purpose of catalogue or mail order sales. The certification under this
5 section shall remain in effect during the time the business retains its
6 status as a qualified business meeting the eligibility criteria of section
7 27 of P.L.1983, c.303 (C.52:27H-86). However, the director may at any
8 time revoke a certification granted pursuant to this section if he shall
9 determine that the vendor no longer complies with the provisions of
10 this section.

11 Notwithstanding the provisions of this act to the contrary, except
12 as may otherwise be provided by section 7 of P.L.1983, c.303
13 (C.52:27H-66), the authority may, in its discretion, determine whether
14 or not the provisions of this section shall apply to any enterprise zone
15 designated after the effective date of P.L.1985, c.142 (C.52:27H-66 et
16 al.); provided, however, that the authority may make such a
17 determination only where the authority finds that the award of an
18 exemption of 50 percent of the tax imposed under the "Sales and Use
19 Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.) will not have any
20 adverse economic impact upon any other urban enterprise zone.

21 Notwithstanding any other provisions of law to the contrary, except
22 as provided in subsection b. of section 6 of P.L.1996, c.124
23 (C.13:1E-116.6), after first depositing 10 percent of the gross amount
24 of all revenues received from the taxation of retail sales made by
25 certified vendors from business locations in designated enterprise
26 zones to which this exemption shall apply into the account created in
27 the name of the authority in the enterprise zone assistance fund
28 pursuant to section 29 of P.L.1983, c.303 (C.52:27H-88), the
29 remaining 90 percent shall be deposited immediately upon collection
30 by the Department of the Treasury, as follows:

31 a. In the first five-year period during which the State shall have
32 collected reduced rate revenues within an enterprise zone, all such
33 revenues shall be deposited in the enterprise zone assistance fund
34 created pursuant to section 29 of P.L.1983, c.303 (C.52:27H-88);

35 b. In the second five-year period during which the State shall have
36 collected reduced rate revenues within an enterprise zone, 66 2/3% of
37 all those revenues shall be deposited in the enterprise zone assistance
38 fund, and 33 1/3% shall be deposited in the General Fund;

39 c. In the third five-year period during which the State shall have
40 collected reduced rate revenues within an enterprise zone, 33 1/3% of
41 all those revenues shall be deposited in the enterprise zone assistance
42 fund, and 66 2/3% shall be deposited in the General Fund;

43 d. In the final five-year period during which the State shall have
44 collected reduced rate revenues within an enterprise zone, but not to
45 exceed the life of the enterprise zone, all those revenues shall be
46 deposited in the General Fund.

47 Commencing on the effective date of P.L.1993, c.144, all revenues

1 in any enterprise zone to which the provisions of this section have been
2 extended prior to the enactment of P.L.1993, c.144 shall be deposited
3 into the enterprise zone assistance fund until there shall have been
4 deposited all revenues into that fund for a total of five full years, as set
5 forth in subsection a. of this section. The State Treasurer then shall
6 proceed to deposit funds into the enterprise zone assistance fund
7 according to the schedule set forth in subsections b. through d. of this
8 section, beginning at the point where the enterprise zone was located
9 on that schedule on the effective date of P.L.1993, c.144. No
10 enterprise zone shall receive the deposit benefit granted by any one
11 subsection of this section for more than five cumulative years.

12 The revenues required to be deposited in the enterprise zone
13 assistance fund under this section shall be used for the purposes of that
14 fund and for the uses prescribed in section 29 of P.L.1983, c.303
15 (C.52:27H-88), subject to annual appropriations being made for those
16 purposes and uses.

17 (cf: P.L.1997, c.162, s.32.)

18

19 10. Section 27 of P.L.1983, c.303 (C.52:27H-86) is amended to
20 read as follows:

21 27. To be eligible for any of the incentives provided under this act
22 a qualified business must demonstrate to the satisfaction of the
23 authority that:

24 a. The business will create new employment in the municipality;
25 and

26 b. The business will not create unemployment in other areas of the
27 State, including the municipality in which the zone or UEZ-impacted
28 business district is located.

29 c. For the purposes of eligibility for the incentives provided under
30 sections 17, 19, 20, and 21 of P.L.1983, c.303 (C.52:27H-76,
31 52:27H-78, 52:27H-79, and 52:27H-80, respectively), a qualified
32 business shall not be required to meet the requirements of subsection
33 a. of this section, if:

34 (1) At the time of designation of the enterprise zone or at the time
35 zone designation is extended by expansion to the location of a business
36 or at the time of designation of the UEZ-impacted business district,
37 the qualified business had been engaged in the active conduct of a
38 trade or business in that zone or in the added area of that zone or in
39 that district for at least one year prior to that designation or expansion;

40 (2) The qualified business employs fewer than 50 employees; and

41 (3) The qualified business has entered into an agreement, approved
42 by the authority, with the governing body of the qualifying
43 municipality in which the enterprise zone is located or the municipality
44 where the UEZ-impacted business district is located, under which the
45 qualified business agrees to undertake an investment in the enterprise
46 zone or district in lieu of the employment of new employees. An
47 investment permitted under an agreement shall be in an amount and of

1 a nature which the municipal governing body and the authority find
2 shall contribute substantially to the economic attractiveness of the
3 enterprise zone or district, and may include, but shall not be limited
4 to:

5 (a) The improvement of the exterior appearance or customer
6 facilities of the property constituting the place of business of the
7 qualified business within the zone or district; provided that the
8 improvement is of a permanent nature and not required to meet
9 existing ordinances or code regulations; or

10 (b) Monetary contributions to the [qualifying] municipality to
11 undertake improvements to increase the safety or attractiveness of the
12 zone or district to businesses which may wish to locate there or to
13 consumer visitors to the zone or district, including, but not limited to
14 litter clean-up and control, landscaping, parking areas and facilities,
15 recreational and rest areas and facilities, repair or improvements to
16 public streets, curbing, sidewalks and pedestrian thoroughfares, street
17 lighting, or increased police, fire or sanitation services in the enterprise
18 zone or UEZ-impacted business district.

19 In order to meet the requirements of paragraph (3) of this
20 subsection, an investment shall be in an amount no less than \$5,000.00
21 if the qualified business employs 10 or fewer employees, or if the
22 qualified business employs more than 10 employees, not less than the
23 amount produced by multiplying the number of employees employed
24 by the qualified business by \$500.00. A qualified business shall be
25 required to make an investment for each year the qualified business
26 does not meet the requirements of subsection a. of this section. In
27 order to receive the incentives permitted by this section, the business
28 shall provide written evidence of the investment to the authority.

29 (cf: P.L.1993, c.367, s.8)

30

31 11. (New section) a. Notwithstanding the provisions of any law,
32 rule, regulation or order to the contrary, the designation of an
33 enterprise zone by the authority pursuant to P.L.1983, c.303
34 (C.52:27H-60 et seq.), which is located in a municipality in which the
35 annual average of unemployed persons is equal to or greater than
36 2,000, or the municipal average annual unemployment rate exceeds the
37 State average annual unemployment rate, or an enterprise zone which
38 is located in a municipality contiguous to a municipality in which an
39 enterprise zone is designated pursuant to P.L.1983, c.303 (C.52:27H-
40 60 et seq.) and in which the annual average of unemployed persons is
41 equal to or greater than 2,000 or the municipal average annual
42 unemployment rate exceeds the State average annual unemployment
43 rate, shall, following the expiration of the third five-year period during
44 which the State shall have collected reduced rate revenues within the
45 zone as provided in subsection c. of section 21 of P.L.1983, c.303
46 (C.52:27H-80), be extended by the authority, on a one-time basis, for
47 a period of 16 years, within 90 days after the effective date of P.L. ,

1 c. (C.) (now before the Legislature as this bill), or within 90
2 days after the expiration of that third five-year period whichever is
3 later.

4 b. During the 90 day period provided for in subsection a. of this
5 section, the authority shall notify all qualified businesses in the
6 enterprise zone that the benefits authorized by sections 16 through 20
7 of P.L.1983, c.303 (C.52:27H-75 through C.52:27H-79) shall be
8 extended to qualified businesses in the enterprise zone commencing
9 with the designation of the extended enterprise zone and continuing as
10 long as a zone retains its designation as an extended enterprise zone.

11 c. Notwithstanding any other provisions of any law, rule or
12 regulation to the contrary, 90 days after the expiration of the period
13 provided for in subsection c. of section 21 of P.L.1983, c.303
14 (C.52:27H-80), except as provided in subsection b. of section 6 of
15 P.L.1996, c.124 (C.13:1E-116.6), and after first depositing 10 percent
16 of the gross amount of all revenues received from the taxation of retail
17 sales made by certified vendors from business locations in an extended
18 enterprise zone designated pursuant to subsection a. of this section, to
19 which this exemption shall apply into the account created in the name
20 of the authority in the enterprise zone assistance fund pursuant to
21 section 29 of P.L.1983, c.303 (C.52:27H-88), the remaining
22 90 percent shall be deposited immediately upon collection by the
23 Department of the Treasury, as follows:

24 (1) In the first five-year period during which the State shall have
25 collected reduced rate revenues within the extended enterprise zone,
26 all such revenues shall be deposited in the enterprise zone assistance
27 fund created pursuant to section 29 of P.L.1983, c.303
28 (C.52:27H-88);

29 (2) In the second five-year period during which the State shall
30 have collected reduced rate revenues within the extended enterprise
31 zone, 66 2/3% of all those revenues shall be deposited in the enterprise
32 zone assistance fund, and 33 1/3% shall be deposited in the General
33 Fund;

34 (3) In the third five-year period during which the State shall have
35 collected reduced rate revenues within the extended enterprise zone,
36 33 1/3% of all those revenues shall be deposited in the enterprise zone
37 assistance fund, and 66 2/3% shall be deposited in the General Fund;

38 (4) In the final year during which the State shall have collected
39 reduced rate revenues within the extended enterprise zone, but not to
40 exceed the life of the enterprise zone, all those revenues shall be
41 deposited in the General Fund.

42 The revenues required to be deposited in the enterprise zone
43 assistance fund under this section shall be used for the purposes of that
44 fund and for the uses prescribed in section 29 of P.L.1983, c.303
45 (C.52:27H-88), subject to annual appropriations being made for those
46 purposes and uses.

1 d. The designation as an extended enterprise zone pursuant to this
2 section shall terminate if the authority determines that the municipality
3 in which the zone is located fails to meet the criteria of subsection a.
4 of this section for three consecutive years. Any enterprise zone which
5 loses its designation as an extended enterprise zone pursuant to this
6 subsection shall be eligible to re-apply to the authority for designation
7 as an extended enterprise zone pursuant to the provisions of P.L.1983,
8 c.303 (C.52:27H-60 et seq.). If the authority approves its application,
9 an urban enterprise zone designation may be extended to the applicant
10 in accordance with the schedules set forth in P.L.1983, c.303
11 (C.52:27H-60 et seq.), beginning at the point where the enterprise
12 zone was located on such schedules on the effective date of
13 P.L. , c. (C.) (now before the Legislature as this bill).

14

15 12. (New section) The three additional zones, authorized
16 pursuant to P.L. , c. (C.) (now before the Legislature as this bill),
17 shall be designated within 90 days of the date of the submittal of an
18 application and zone development plan, provided that the joint zone
19 shall be designated within 90 days of the date of the submittal of a
20 joint application and a joint zone development plan by the adjoining
21 municipalities. The authority shall accept applications within 90 days
22 of the effective date of P.L. , c. (C.) (now before the Legislature
23 as this bill). Notwithstanding the provisions of P.L.1983, c.303
24 (C.52:27H-60 et seq.) to the contrary, the additional enterprise zones
25 to be designated by the authority pursuant to the criteria for priority
26 consideration set forth in this section shall be entitled to an exemption
27 to the extent of 50% of the tax imposed under the "Sales and Use Tax
28 Act," P.L.1966, c.30 (C.54:32B-1 et seq.). The following criteria
29 shall be utilized in according priority consideration for designation of
30 the three additional enterprise zones authorized pursuant to P.L. , c.
31 (C.) (now before the Legislature as this bill):

32 a. (1) The joint zone shall be located in four municipalities which
33 are adjacent to each other, one of which has a population greater than
34 5,000 and less than 5,500 according to the latest federal decennial
35 census, one of which has a population greater than 4,000 and less than
36 4,500 according to the latest federal decennial census, one of which
37 has a population greater than 3,000 and less than 4,000 according to
38 the latest federal decennial census, and one of which has a population
39 greater than 400 and less than 500 according to the latest federal
40 decennial census; and

41 (2) The joint zone shall be located in a county of the sixth class
42 according to the latest federal decennial census.

43 b. (1) The second zone shall be located in a municipality with a
44 population greater than 60,000 and less than 65,000 according to the
45 latest federal decennial census in a county of the first class with a
46 population greater than 600,000 and less than 620,000 according to

1 the latest federal decennial census; and

2 (2) The second zone shall be located in a municipality which is
3 contiguous to at least one qualifying municipality which has a
4 designated enterprise zone and which is in a county of the first class.

5 c. The third zone shall be located within a municipality that

6 (1) borders on another municipality having an urban enterprise
7 zone;

8 (2) has a population greater than 20,000 and a population density
9 greater than 7,500 persons per square mile according to the latest
10 federal decennial census; and

11 (3) has a per capita retail sales rate that is less than \$2,500, as
12 reported by the U.S. Bureau of the Census, 1992 Census of Retail.

13

14 13. This act shall take effect immediately, except that sections 3,
15 4, 5, 6 and 12 of this act shall take effect on the first day of the third
16 month following enactment, but the State Treasurer, the Chief
17 Executive Officer and Secretary of the New Jersey Commerce and
18 Economic Growth Commission, and the Executive Director of the
19 New Jersey Urban Enterprise Zone Authority may take such
20 anticipatory actions as may be necessary for the implementation of this
21 act.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR
ASSEMBLY, No. 17

STATE OF NEW JERSEY

DATED: MAY 17, 2001

The Assembly Appropriations Committee reports favorably an Assembly Committee Substitute for Assembly Bill No. 17.

The Assembly Committee Substitute for Assembly Bill No. 17 directs the New Jersey Urban Enterprise Zone Authority to extend, in certain cases, the designation of an urban enterprise zone (UEZ), allows the designation of UEZ-impacted business districts, and allows designation of three more UEZs.

Under current law, a UEZ designation remains in effect for a period of 20 years, consisting of four five-year periods. Qualified vendors are authorized to collect sales taxes at a 50% of the regular rate (currently, 50% of 6%, or 3%) on certain sales of tangible personal property. Ten percent of the reduced rate taxes are used by the New Jersey Urban Enterprise Zone Authority. In each of the five-year periods, a portion of the remaining 90% of the reduced rate sales taxes is returned to the local UEZ to undertake economic development improvements and activities in the zone. In the first five-year period, the local UEZ receives all of the remaining reduced rate sales tax collected within that zone; in the second five-year period, the UEZ receives 2/3 of the remaining reduced rate sales tax; in the third five-year period 1/3; and in the final five-year period, the UEZ receives none of the reduced rate sales tax.

Under the substitute, upon expiration of a UEZ's third five-year period of reduced-rate sales tax collection, the UEZ authority would be required to extend the zone's initial designation as a UEZ if the UEZ is located in: (1) a municipality with an annual average of 2,000 or more unemployed persons; or a municipal average annual unemployment rate exceeding the State average annual unemployment rate; or (2) a municipality contiguous to a zone municipality described in (1). Under current law the final five-year period of the 20 year designation is one during which UEZ does not retain any reduced rate sales tax. The substitute replaces that five-year period for the eligible zones with a new 16 year period (extending the zone's reduced sales tax collections from a total of 20 years to a total of $15 + 16 = 31$ years) of three five-year periods during which the UEZ would receive all, 2/3 and 1/3, respectively, of the reduced rate sales tax collected

within the zone, and a final year during which the UEZ receives no sales tax.

The substitute provides that designation as an extended UEZ would terminate if the New Jersey Urban Enterprise Zone Authority determines that the municipality in which the zone is located fails for three consecutive years to meet the eligibility standards referred to above. Upon termination of an extended designation, a zone could re-apply to the authority for regular zone designation under the basic UEZ Act and, if the application is approved, resume the remainder of the UEZ's designation as a regular zone starting at the point in the regular 20 year schedule it was at when it first became an extended zone.

The substitute creates the new designation of a UEZ-impacted business district in an economically-distressed business district adjacent to two UEZs and allows certain businesses in those districts to collect the same reduced rate sales tax as those qualified businesses in the nearby UEZs. The presence of businesses which collect 50% less sales tax in adjacent UEZs can be an impediment to restoring the vitality of such a district and, in particular, a disincentive to private capital investment in the business district. An example of a business district in this situation is that of Clifton City. Unlike the sales tax collected in a UEZ which, goes in part to the enterprise zone assistance fund and in part to the General Fund, all reduced rate sales tax revenues collected in a UEZ-impacted business district will go to the General Fund.

In addition, the substitute requires at least one public member of the New Jersey UEZ authority, appointed or reappointed after the effective date of this substitute, to reside within a UEZ.

The substitute also authorizes the authority to designate three additional UEZs, one of them a joint municipal UEZ. Currently only North Wildwood City, Wildwood City, Wildwood Crest Borough and West Wildwood Borough in Cape May County meet the criteria for the establishment of the additional joint zone and only Bayonne City and Roselle Boro meet the criteria for the establishment of the other two zones. The substitute provides that the additional UEZs shall be entitled to an exemption to the extent of 50% of the tax imposed under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.).

FISCAL IMPACT:

Initial revenue losses are due to the impact of the extended designation of UEZ's that have reached the schedule point of 15 years of collection of reduced rate sales taxes and are no longer retaining any of the reduced rate sales taxes. Only five zones (Bridgeton, Camden, Newark, Plainfield and Trenton) will be eligible in FY2001 and FY2002. The first full-year cost to the State has been estimated by the Department of Treasury to be \$12 million (the Office of Legislative Services [OLS] notes that one-third of these revenues are already returned to the subject zones by a language appropriation in

the FY2001 appropriations act and proposed in the Executive FY2002 budget recommendation).

These amounts can be expected to grow substantially in future years (reaching \$46,000,000 by FY2008 and growing to \$105,000,000 by FY 2011) as the number of zones eligible for extension increases from those five to potentially all 27 current zones by FY2011. The dramatic cost increase is a result not only of changing the allocation of the half-rate sales tax, but of continuing the half-rate sales tax collection and the sales tax exemption for purchases *by* a UEZ business for an additional 11 years for each zone. These estimates address only the loss of sales tax revenues, and do not include losses in State revenues attributable to the allowance of corporation business tax credits and other incentives.

The department has estimated from the limited data available that the new Wildwoods zone would reduce sales tax collections by zone businesses by approximately \$1.75 million annually and sales tax payments on purchases by zone businesses by approximately \$1 million annually, for an initial revenue loss of \$2.75 million annually. The OLS estimates that the Roselle and Bayonne zones would initially reduce sales tax collections between \$6 million and \$10 million annually.

The number of municipalities that are adjacent to two UEZs and can demonstrate to the authority that their business districts are economically distressed and are being negatively impacted by the presence of two or more adjacent UEZs in which reduced rate sales taxes are being collected is not known, so the impact of the designation of UEZ-impacted business districts is not known.

FISCAL NOTE
ASSEMBLY COMMITTEE SUBSTITUTE FOR
ASSEMBLY, No. 17
STATE OF NEW JERSEY
209th LEGISLATURE

DATED: JANUARY 10, 2002

SUMMARY

Synopsis: Directs Urban Enterprise Zone (UEZ) Authority to establish extended enterprise zones and UEZ-impacted business districts; creates three additional UEZs including one additional joint zone.

Type of Impact: Annual loss of revenue to the General Fund.
 Increase in State assistance to Urban Enterprise Zone municipalities.

Agencies Affected: Division of Taxation; New Jersey Commerce and Economic Growth Commission; Urban Enterprise Zone municipalities.

Executive Estimate

Fiscal Impact	Year 1	Year 2	Year 3
State Revenue	(\$5,800,000)*	(\$13,750,000)	(\$14,450,000)
Local Revenue	\$5,800,000*	\$13,750,000	\$14,450,000

*Year 1 reflects a six month period.

- ! The Office of Legislative Services (OLS) **concurs** with the Executive estimate which reflects initial revenue losses due to the impact of the extended designation of UEZ's that are entering the final five year phase (years 16 through 20) of the reduced sales tax collection schedule and are no longer retaining any portion of reduced rate sales tax collections.
- ! The OLS notes that one-third of the division's estimate is already being returned to the subject zones pursuant to a language provision in the current FY 2002 appropriations act.
- ! The projected cost to the State can be expected to grow dramatically in future years (to \$105,000,000 by FY 2011) as the number of zones eligible for extension increases from five in FY2001 to all 27 zones by FY2011.
- ! The foregoing estimates *do not include* the additional loss of revenue from the establishment of three additional UEZs or the potential revenue impact from the designation of UEZ-impacted business zones which the OLS notes could be considerable.

BILL DESCRIPTION

Assembly Committee Substitute for Assembly Bill No. 17 of 2000 directs the New Jersey Urban Enterprise Zone Authority to: 1) extend, in certain cases, the designation of an UEZ; 2) allows the designation of UEZ-impacted business districts and permits certain businesses in those districts to collect a 50 percent reduced rate sales tax; and 3) allows designation of three additional UEZs, including one joint zone.

Only North Wildwood City, Wildwood City, Wildwood Crest Borough and West Wildwood Borough in Cape May County meet the criteria for the establishment of the additional joint zone and only Bayonne City and Roselle Boro meet the criteria for the establishment of the other two zones.

Currently, a UEZ designation remains in effect for a period of 20 years, consisting of four five-year periods. During that time, qualified vendors are authorized to collect sales taxes at 50 percent of the regular six percent rate on certain sales of tangible personal property. Ten percent of the reduced rate tax collections are used by the UEZ Authority for administration. A portion of the remaining 90 percent of the reduced rate collections is returned to the local UEZ to undertake economic development improvements and activities in the zone. In the first five-year period, the local UEZ receives all of the remaining reduced rate sales tax collected within the zone; in the second five-year period, the UEZ receives 2/3 of the remaining reduced rate sales tax; in the third five-year period 1/3; and in the final five-year period, the UEZ receives none of the reduced rate sales tax. Under the substitute, the final five-year period of zone designation (years 16 through 20 under the original designation) is replaced with a new 16 year period consisting of three five year periods during which the UEZ receives all, 2/3 and 1/3, respectively, of the reduced rate sales tax collections, and a final year during which the UEZ receives no sales tax.

FISCAL ANALYSIS

EXECUTIVE BRANCH

The Division of Taxation estimates that implementation of this legislation will result in the loss of \$5.9 million, \$13.7 million, and \$14.5 million, respectively, in the first three years following enactment. Moreover, the division's estimate projects that the cost to the State will grow dramatically in future years (reaching \$46,000,000 by FY 2008 and growing to \$105,000,000 by FY 2011) as the number of zones potentially eligible for extension increases from five (Bridgeton, Camden, Newark, Plainfield and Trenton) in FY 2001 to all 27 zones by FY2011. The division's estimate is based on current reduced sales tax collections within the State's 27 UEZs and assumes sales tax revenue growth of 6 percent.

In addition to the revenue loss anticipated from the extension of existing zones, the division projects, based on annual sales tax data, that a new joint UEZ (which would include North Wildwood City, Wildwood City, Wildwood Crest Borough and West Wildwood Borough in Cape May County) would result in a total loss of \$2.75 million annually as a result of reduced sales tax collections and other zone benefits and incentives.

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services (OLS) concurs with the Executive estimate based on historical revenue data provided by the Urban Enterprise Zone Authority. For clarification, the OLS notes that the division's estimate reflects the six percent sales tax which the State would have collected if the existing Urban Enterprise Zone program was allowed to expire pursuant to P.L. 1983, c.303 (C.52:27H-60 et al), and does not consider the (relatively minimal) costs to the State attributable to certain business tax credits and incentives available to participating zone businesses. The projected cost of this legislation is in addition to those revenues foregone (\$147 million in FY1999) to the State as a result of the *original* 20 year zone designations. (Hence the amount of revenue foregone by the State from both the original and the proposed extended UEZ designations (based on the full six percent tax rate) would be approximately \$153 million (\$147 million + \$5.8 million) in the first year following enactment.

The OLS further notes that the first five UEZ's scheduled to expire on December 31, 2005 include Bridgeton, Camden, Newark, Plainfield and Trenton. Under the current program, these zones will enter their sixteenth year of operation beginning on January 1, 2001, at which time their share of the 50 percent reduced sales tax will fall to zero (with the State share equal to 100 percent of the reduced sales tax collections.) The OLS notes, however, that current budget language already returns to these five municipalities one-third of the revenues due to the State under the existing UEZ revenue allocation schedule. In current dollars, these five zones collectively generate sales tax revenues (at the full six percent rate) of about \$30 million.

The OLS further notes that, as amended, this bill will redefine the 20-year life span of a zone to begin in the first year in which the zone municipality became eligible to charge the reduced sales tax (as opposed to the first year of designation as a zone). This amendment is intended to address the fact that four zone municipalities (Elizabeth, Jersey City, Kearney and Orange) were not eligible for the reduced sales tax at the time of designation (either 1985 or 1986, depending on the zone). Thus, if this bill is enacted, these four zones will become eligible for extended designations in FY2010 rather than FY2008.

Finally, the OLS is unable to estimate the loss of revenue from the addition of three new zones, since it is not known how many eligible zone businesses would become qualified zone business; however, the OLS generally notes that based on average revenue collections within existing UEZ's, the addition of Roselle and Bayonne as UEZ municipalities could be expected to initially reduce sales tax collections between \$6 million and \$10 million. (OLS accepts the division's estimate of \$2.75 million for a new joint Wildwood zone.)

Section: *Revenue, Finance and Appropriations*

Analyst: *Catherine Z. Brennan*
Senior Fiscal Analyst

Approved: *Alan R. Kooney*
Legislative Budget and Finance Officer

This fiscal note has been prepared pursuant to P.L.1980, c.67.

P.L. 2001, CHAPTER 347, *approved January 6, 2002*
Senate Committee Substitute (*Second Reprint*) for
Senate, No. 322

1 AN ACT concerning ²[extended]² urban enterprise zones ²and
2 enterprise zone-impacted business districts², amending and
3 supplementing P.L.1983, c.303 (C.52:27H-60 et seq.).
4

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

7
8 1. Section 2 of P.L.1983, c.303 (C.52:27H-61) is amended to read
9 as follows:

10 2. The Legislature finds and determines:

11 a. That there persist in this State, particularly in its urban centers,
12 areas of economic distress characterized by high unemployment, low
13 investment of new capital, blighted conditions, obsolete or abandoned
14 industrial or commercial structures, and deteriorating tax bases.

15 b. That the severe and persistent deterioration of these areas
16 demands vigorous and coordinated efforts by private and public
17 entities to restore their prosperity and enable them to resume
18 significant contributions to the economic and social life of the State.

19 c. That the economic revitalization of these areas requires
20 application of the skills and entrepreneurial vigor of private
21 enterprise; and it is the responsibility of government to provide a
22 framework within which encouragement be given to private capital
23 investment in these areas, disincentives to investment be removed or
24 abated, and mechanisms be provided for the coordination and
25 cooperation of private and public agencies in restoring the economic
26 viability and prosperity of these areas.

27 d. That certain urban areas which continue to experience high levels
28 of unemployment should be able to continue to receive the
29 aforementioned assistance and incentives necessary to promote
30 economic revitalization of those areas.

31 ²e. That a business district with urban enterprise zones adjacent to
32 it on two or more sides can be negatively impacted because the
33 businesses in the adjacent enterprise zones are permitted to collect
34 50% less sales tax and thus have a significant advantage in competition
35 for customers. The impacted business district can become

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.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Senate SBA committee amendments adopted September 25, 2000.

² Senate floor amendments adopted June 7, 2001.

1 economically distressed because there is a disincentive to businesses
2 to invest in or stay in that business district.²

3 (cf: P.L.1983, c.303, s.2)

4

5 ²2. Section 3 of P.L.1983, c.303 (C.52:27H-62) is amended to read
6 as follows:

7 3. As used in this act:

8 a. "Enterprise zone" or "zone" means an urban enterprise zone
9 designated by the authority pursuant to this act;

10 b. "Authority" means the New Jersey Urban Enterprise Zone
11 Authority created by this act;

12 c. "Qualified business" means any entity authorized to do business
13 in the State of New Jersey which, at the time of designation as an
14 enterprise zone or a UEZ-impacted business district, is engaged in the
15 active conduct of a trade or business in that zone or district; or an
16 entity which, after that designation but during the designation period,
17 becomes newly engaged in the active conduct of a trade or business in
18 that zone or district and has at least 25% of its full-time employees
19 employed at a business location in the zone or district, meeting one or
20 more of the following criteria:

21 (1) Residents within the zone, the district, within another zone or
22 within a qualifying municipality; or

23 (2) Unemployed for at least six months prior to being hired and
24 residing in New Jersey, and recipients of New Jersey public assistance
25 programs for at least six months prior to being hired, or either of the
26 aforesaid; or

27 (3) Determined to be [economically disadvantaged pursuant to the
28 Jobs Training Partnership Act, Pub.L.97-300 (29 U.S.C.1501 et seq.)]
29 low income individuals pursuant to the Workforce Investment Act of
30 1998, Pub. L. 105-220 (29 U.S.C. 2811);

31 d. "Qualifying municipality" means any municipality in which there
32 was, in the last full calendar year immediately preceding the year in
33 which application for enterprise zone designation is submitted pursuant
34 to section 14 of P.L.1983, c.303 (C.52:27H-73), an annual average of
35 at least 2,000 unemployed persons, and in which the municipal average
36 annual unemployment rate for that year exceeded the State average
37 annual unemployment rate; except that any municipality which
38 qualifies for State aid pursuant to P.L.1978, c.14 (C.52:27D-178 et
39 seq.) shall qualify if its municipal average annual unemployment rate
40 for that year exceeded the State average annual unemployment rate.
41 The annual average of unemployed persons and the average annual
42 unemployment rates shall be estimated for the relevant calendar year
43 by the Office of Labor [Statistics, Division of] Planning and
44 [Research] Analysis of the State Department of Labor. In addition to
45 those municipalities that qualify pursuant to the criteria set forth above,
46 that municipality accorded priority designation pursuant to subsection

1 e. of section 7 of P.L.1983, c.303 (C.52:27H-66)[and], that
2 municipality set forth in paragraph (7) of section 3 of P.L.1995, c.382
3 (C.52:27H-66.1) and the municipalities in which the three additional
4 enterprise zones, including the joint enterprise zone, are to be
5 designated pursuant to criteria according priority consideration for
6 designation of the zones pursuant to section 12 of P.L. , c. (C.) (now
7 before the Legislature as this bill) shall be deemed qualifying
8 municipalities;

9 e. "Public assistance" means income maintenance funds administered
10 by the Department of Human Services or by a county welfare agency;

11 f. "Zone development corporation" means a nonprofit corporation or
12 association created or designated by the governing body of a qualifying
13 municipality to formulate and propose a preliminary zone development
14 plan pursuant to section 9 of P.L.1983, c.303 (C.52:27H-68) and to
15 prepare, monitor, administer and implement the zone development
16 plan;

17 g. "Zone development plan" means a plan adopted by the governing
18 body of a qualifying municipality for the development of an enterprise
19 zone therein, and for the direction and coordination of activities of the
20 municipality, zone businesses and community organizations within the
21 enterprise zone toward the economic betterment of the residents of the
22 zone and the municipality;

23 h. "Zone neighborhood association" means a corporation or
24 association of persons who either are residents of, or have their
25 principal place of employment in, a municipality in which an enterprise
26 zone has been designated pursuant to this act; which is organized under
27 the provisions of Title 15 of the Revised Statutes or Title 15A of the
28 New Jersey Statutes; and which has for its principal purpose the
29 encouragement and support of community activities within, or on
30 behalf of, the zone so as to (1) stimulate economic activity, (2) increase
31 or preserve residential amenities, or (3) otherwise encourage
32 community cooperation in achieving the goals of the zone development
33 plan; and

34 [and]

35 i. "Enterprise zone assistance fund" or "assistance fund" means the
36 fund created by section 29 of P.L.1983, c.303 (C.52:27H-88); and

37 j. "UEZ-impacted business district" or "district" means an
38 economically-distressed business district classified by the authority
39 as having been negatively impacted by two or more adjacent urban
40 enterprise zones in which 50% less sales tax is collected pursuant to
41 section 21 of P.L. 1983, c. 303 (C.52:27H-80).

42 (cf: P.L.1995, c.382, s.2)²

43

44 ²3. (New section) The authority shall designate a classification
45 known as a "UEZ-impacted business district" for a municipality which
46 can demonstrate to the authority that its business district is
47 economically distressed and is being negatively impacted by the

1 presence of two or more adjacent enterprise zones in which 50% less
2 sales tax is collected pursuant to section 21 of P.L. 1983, c. 303
3 (C.52:27H-80).²

4
5 ^{24.} (New section) a. A municipality shall apply to the authority for
6 the classification of UEZ-impacted business district by submitting an
7 application as required by the authority along with detailed findings
8 made after a public hearing that the business district is economically
9 distressed and that the adjacent enterprise zones are having a negative
10 impact upon the municipality's business district.

11 b. In according consideration for designation of the UEZ-impacted
12 business district classification authorized pursuant to section 3 of P.L.
13 c. (C.) (now pending before the Legislature as this bill), the following
14 criteria shall be utilized by the authority:

15 (1) the district shall be located in a municipality which is between
16 two municipalities each of which has an enterprise zone; and

17 (2) the borders of the two enterprise zones of the adjacent
18 municipalities shall in part be contiguous to the border of the
19 applicant municipality.²

20
21 ^{25.} (New section) a. A qualified business within a UEZ-impacted
22 business district authorized pursuant to section 3 of P.L. _____,
23 c. (C.) (now pending before the Legislature as this bill) shall be
24 entitled to an exemption to the extent of 50% from the tax imposed
25 under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.)
26 in accordance with section 21 of the "New Jersey Urban Enterprise
27 Zones Act," P.L.1983, c.303 (C.52:27H-80) to the same extent as that
28 granted to qualified businesses in the adjacent enterprise zones
29 provided that the qualified business applies to the Director of the
30 Division of Taxation in the Department of the Treasury for
31 certification pursuant to section 21 of P.L.1983, c.303 (C.52:27H-80),
32 meets the eligibility criteria of section 27 of P.L.1983, c.303
33 (C.52:27H-86), and satisfies the annual certification requirements of
34 section 28 of P.L.1983, c.303 (C.52:27H-87).

35 b. The reduced rate revenues authorized by this section and received
36 from the taxation of retail sales made by qualified businesses in the
37 UEZ-impacted business district shall be deposited in the General Fund
38 and not allocated in accordance with section 21 of the "New Jersey
39 Urban Enterprise Zones Act," P.L.1983, c.303 (C.52:27H-80), to the
40 enterprise zone assistance fund.

41 c. Other than the reduction in sales tax rate provided to qualified
42 businesses pursuant to this section, no tax credits, incentives, programs
43 or other benefits of the "New Jersey Urban Enterprise Zones Act,"
44 P.L.1983, c.303 (C.52:27H-60 et seq.), shall be available to businesses
45 in the district as a result of a UEZ-impacted business district
46 designation.²

1 ²6. (New section) When the duration of one or more of the
2 enterprise zones adjacent to the UEZ-impacted business district expires
3 but the UEZ-impacted business district continues to be adjacent to one
4 or more remaining enterprise zones, the authority shall review the
5 designation of the UEZ-impacted business district. If upon conducting
6 a hearing, the authority finds that the business district continues to be
7 economically distressed and negatively impacted by the remaining
8 adjacent enterprise zone, the UEZ-impacted business district
9 designation shall be continued. The designation of UEZ-impacted
10 business district shall terminate automatically when the duration of the
11 last enterprise zone adjacent to the district ends.²

12
13 ²[2] 7.² Section 4 of P.L.1983, c.303 (C.52:27H-63) is amended to
14 read as follows:

15 4. a. There is created the New Jersey Urban Enterprise Zone
16 Authority, which shall consist of:

17 (1) The ¹[Commissioner of the Department of Commerce, Energy
18 and Economic Development] Chief Executive Officer and Secretary
19 of the New Jersey Commerce and Economic Growth Commission¹,
20 who shall be chairman of the authority;

21 (2) The Commissioner of the Department of Community Affairs;

22 (3) The Commissioner of the Department of Labor;

23 (4) The State Treasurer; and

24 (5) Five public members not holding any other office, position or
25 employment in the State Government, nor any local elective office,
26 who shall be appointed by the Governor with the advice and consent
27 of the Senate, and who shall be qualified for their appointments by
28 training and experience in the areas of local government finance,
29 economic development and redevelopment, or volunteer civic service
30 and community organization. No more than three public members shall
31 be of the same political party. At least one public member of the
32 authority shall reside within an enterprise zone; however, the
33 provisions of this section shall apply only to members appointed or
34 reappointed after the effective date of P.L. , c. (C.) (now
35 before the Legislature as this bill).

36 b. The public members of the authority shall serve for terms of five
37 years, except that of the members first appointed, one shall serve for
38 a term of one year, one shall serve for a term of two years, one shall
39 serve for a term of three years, one shall serve for a term of four years,
40 and one shall serve for a term of five years. Vacancies in the public
41 membership shall be filled in the manner of the original appointments
42 but for the unexpired terms.

43 c. An ex officio member of the authority may, from time to time,
44 designate in writing to the authority an official within his respective
45 department to attend and represent the department at the meetings of
46 the authority from which the ex officio member is absent, and that

1 designated representative shall be entitled to vote and otherwise act
2 for the ex officio member at those meetings.

3 (cf: P.L.1988, c.93, s.2)

4

5 ²[3.] 8.² Section 7 of P.L.1983, c.303 (C.52:27H-66) is amended
6 to read as follows:

7 7. The authority shall designate enterprise zones from among those
8 areas of qualifying municipalities determined to be eligible pursuant to
9 this act. No more than ²[27] 30² enterprise zones shall be in effect at
10 any one time. No more than one enterprise zone shall be designated
11 in any one municipality. ~~[Any]~~ Except as otherwise provided by
12 section ²[5] 11² of P.L. , c. (C.) (now before the Legislature
13 as this bill), any designation granted shall be for a period of 20
14 years ¹, beginning with the year in which a zone is eligible for an
15 exemption to the extent of 50% of the tax imposed under the "Sales
16 and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.),¹ and shall not
17 be renewed at the end of that period. In designating enterprise zones
18 the authority shall seek to avoid excessive geographic concentration
19 of zones in any particular region of the State. At least six of the 10
20 additional enterprise zones authorized pursuant to section 3 of
21 P.L.1993, c.367 shall be located in counties in which enterprise zones
22 have not previously been designated and shall be designated within 90
23 days of the date of the submittal of an application and zone
24 development plan. The authority shall accept applications within 90
25 days of the effective date of P.L.1993, c.367. Notwithstanding the
26 provisions of P.L.1983, c.303 (C.52:27H-60 et seq.) to the contrary,
27 the six additional enterprise zones to be designated by the authority
28 pursuant to the criteria for priority consideration in this section shall
29 be entitled to an exemption to the extent of 50% of the tax imposed
30 under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et
31 seq.). The following criteria shall be utilized in according priority
32 consideration for designation of these zones by the authority:

33 a. One zone shall be located in a county of the second class with a
34 population greater than 595,000 and less than 675,000 according to
35 the latest federal decennial census and shall be located in the qualifying
36 municipality in that county with the highest annual average number of
37 unemployed persons and the highest average annual unemployment
38 rate for the 1992 calendar year according to the estimate by the State
39 Department of Labor;

40 b. Two zones shall be located in a county of the second class with
41 a population greater than 445,000 and less than 455,000 according to
42 the latest federal decennial census, one of which shall be located in the
43 qualifying municipality in that county with the highest annual average
44 number of unemployed persons and the highest average annual
45 unemployment rate for the 1992 calendar year according to the
46 estimate by the State Department of Labor, and one of which shall be

1 located in the qualifying municipality in that county with the second
2 highest annual average number of unemployed persons and the second
3 highest average annual unemployment rate for the 1992 calendar year
4 according to the estimate by the State Department of Labor;

5 c. One zone shall be located in a county of the third class with a
6 population greater than 84,000 and less than 92,000 according to the
7 latest federal decennial census and shall be located in the qualifying
8 municipality in that county with the highest annual average number of
9 unemployed persons and the highest average annual unemployment
10 rate for the 1992 calendar year according to the estimate by the State
11 Department of Labor;

12 d. One zone shall be located within two noncontiguous qualifying
13 municipalities but comprised of not more than two noncontiguous
14 areas each having a continuous border, if:

15 (1) both municipalities are located in the same county which shall be
16 a county of the fifth class with a population greater than 500,000 and
17 less than 555,000 according to the latest federal decennial census;

18 (2) the two municipalities submit a joint application and zone
19 development plan; and

20 (3) each of the municipalities has a population greater than 16,000
21 and less than 30,000 and a population density of more than 5,000
22 persons per square mile, according to the latest federal decennial
23 census; and

24 e. One zone shall be located within a municipality having a
25 population greater than 38,000 and less than 46,000 according to the
26 latest federal decennial census if the municipality is located within a
27 county of the fifth class with a population greater than 340,000 and
28 less than 440,000 according to the latest federal decennial census.

29 (cf: P.L.1995, c.382, s.1)

30

31 ²9. Section 21 of P.L.1983, c.303 (C.52:27H-80) is amended to read
32 as follows:

33 21. Receipts of retail sales, except retail sales of motor vehicles, of
34 alcoholic beverages as defined in the "Alcoholic Beverage Tax Law,"
35 R.S.54:41-1 et seq., of cigarettes as defined in the "Cigarette Tax Act,"
36 P.L.1948, c.65 (C.54:40A-1 et seq.), of manufacturing machinery,
37 equipment or apparatus, and of energy, made by a certified vendor from
38 a place of business owned or leased and regularly operated by the
39 vendor for the purpose of making retail sales, and located in a
40 designated enterprise zone established pursuant to the "New Jersey
41 Urban Enterprise Zones Act," P.L.1983, c.303 (C.52:27H-60 et al.), or
42 a UEZ-impacted business district established pursuant to section 3 of
43 P.L. , c . (C.) (now pending before the Legislature as this bill), are
44 exempt to the extent of 50% of the tax imposed under the "Sales and
45 Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.)

46 Any vendor, which is a qualified business having a place of business

1 located in a designated enterprise zone or in a designated UEZ-
2 impacted business district, may apply to the Director of the Division
3 of Taxation in the Department of the Treasury for certification pursuant
4 to this section. The director shall certify a vendor if he shall find that
5 the vendor owns or leases and regularly operates a place of business
6 located in the designated enterprise zone or in the designated UEZ-
7 impacted business district for the purpose of making retail sales, that
8 items are regularly exhibited and offered for retail sale at that location,
9 and that the place of business is not utilized primarily for the purpose
10 of catalogue or mail order sales. The certification under this section
11 shall remain in effect during the time the business retains its status as
12 a qualified business meeting the eligibility criteria of section 27 of
13 P.L.1983, c.303 (C.52:27H-86). However, the director may at any time
14 revoke a certification granted pursuant to this section if he shall
15 determine that the vendor no longer complies with the provisions of
16 this section.

17 Notwithstanding the provisions of this act to the contrary, except as
18 may otherwise be provided by section 7 of P.L.1983, c.303
19 (C.52:27H-66), the authority may, in its discretion, determine whether
20 or not the provisions of this section shall apply to any enterprise zone
21 designated after the effective date of P.L.1985, c.142 (C.52:27H-66 et
22 al.); provided, however, that the authority may make such a
23 determination only where the authority finds that the award of an
24 exemption of 50 percent of the tax imposed under the "Sales and Use
25 Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.) will not have any
26 adverse economic impact upon any other urban enterprise zone.

27 Notwithstanding any other provisions of law to the contrary, except
28 as provided in subsection b. of section 6 of P.L.1996, c.124
29 (C.13:1E-116.6), after first depositing 10 percent of the gross amount
30 of all revenues received from the taxation of retail sales made by
31 certified vendors from business locations in designated enterprise
32 zones to which this exemption shall apply into the account created in
33 the name of the authority in the enterprise zone assistance fund
34 pursuant to section 29 of P.L.1983, c.303 (C.52:27H-88), the
35 remaining 90 percent shall be deposited immediately upon collection
36 by the Department of the Treasury, as follows:

37 a. In the first five-year period during which the State shall have
38 collected reduced rate revenues within an enterprise zone, all such
39 revenues shall be deposited in the enterprise zone assistance fund
40 created pursuant to section 29 of P.L.1983, c.303 (C.52:27H-88);

41 b. In the second five-year period during which the State shall have
42 collected reduced rate revenues within an enterprise zone, 66 2/3% of
43 all those revenues shall be deposited in the enterprise zone assistance
44 fund, and 33 1/3% shall be deposited in the General Fund;

45 c. In the third five-year period during which the State shall have
46 collected reduced rate revenues within an enterprise zone, 33 1/3% of
47 all those revenues shall be deposited in the enterprise zone assistance

1 fund, and 66 2/3% shall be deposited in the General Fund;

2 d. In the final five-year period during which the State shall have
3 collected reduced rate revenues within an enterprise zone, but not to
4 exceed the life of the enterprise zone, all those revenues shall be
5 deposited in the General Fund.

6 Commencing on the effective date of P.L.1993, c.144, all revenues
7 in any enterprise zone to which the provisions of this section have been
8 extended prior to the enactment of P.L.1993, c.144 shall be deposited
9 into the enterprise zone assistance fund until there shall have been
10 deposited all revenues into that fund for a total of five full years, as set
11 forth in subsection a. of this section. The State Treasurer then shall
12 proceed to deposit funds into the enterprise zone assistance fund
13 according to the schedule set forth in subsections b. through d. of this
14 section, beginning at the point where the enterprise zone was located
15 on that schedule on the effective date of P.L.1993, c.144. No
16 enterprise zone shall receive the deposit benefit granted by any one
17 subsection of this section for more than five cumulative years.

18 The revenues required to be deposited in the enterprise zone
19 assistance fund under this section shall be used for the purposes of that
20 fund and for the uses prescribed in section 29 of P.L.1983, c.303
21 (C.52:27H-88), subject to annual appropriations being made for those
22 purposes and uses.

23 (cf: P.L.1997, c.162, s.32.)²

24

25 ²[4.] 10.² Section 27 of P.L.1983, c.303 (C.52:27H-86) is amended
26 to read as follows:

27 27. To be eligible for any of the incentives provided under this act
28 a qualified business must demonstrate to the satisfaction of the
29 authority that:

30 a. The business will create new employment in the municipality;

31 b. The business will not create unemployment in other areas of the
32 State, including the municipality in which the zone ²or UEZ-impacted
33 business district² is located.

34 c. For the purposes of eligibility for the incentives provided under
35 sections 17, 19, 20, and 21 of P.L.1983, c.303 (C.52:27H-76,
36 52:27H-78, 52:27H-79, and 52:27H-80, respectively), a qualified
37 business shall not be required to meet the requirements of subsection
38 a. of this section, if:

39 (1) [At the time of designation of the enterprise zone or at the time
40 zone designation is extended by expansion to the location of a
41 business, the qualified business had been engaged in the active conduct
42 of a trade or business in that zone or in the added area of that zone for
43 at least one year prior to that designation or expansion;] ²[~~Deleted by~~
44 amendment, (P.L. _____)]

45 At the time of designation of the enterprise zone or at the time zone
46 designation is extended by expansion to the location of a business or

1 at the time of designation of the UEZ-impacted business district, the
2 qualified business had been engaged in the active conduct of a trade or
3 business in that zone or in the added area of that zone or in that
4 district for at least one year prior to that designation or expansion;²

5 (2) The qualified business employs fewer than 50 employees; ²and²

6 (3) The qualified business has entered into an agreement[, approved
7 by the authority,] ², approved by the authority,² with the governing
8 body of the qualifying municipality ²[, or an officer or agent of the
9 municipality designated by the governing body,]² in which the
10 enterprise zone is located ²or the municipality where the UEZ-
11 impacted business district is located², under which the qualified
12 business agrees to undertake an investment in the enterprise zone ²or
13 district² in lieu of the employment of new employees. An investment
14 permitted under an agreement shall be in an amount and of a nature
15 which the municipal governing body and the authority find shall
16 contribute substantially to the economic attractiveness of the
17 enterprise zone ²or district², and may include, but shall not be limited
18 to:

19 (a) The improvement of the exterior appearance or customer
20 facilities of the property constituting the place of business of the
21 qualified business within the zone ²or district²; provided that the
22 improvement is of a permanent nature and not required to meet
23 existing ordinances or code regulations; or

24 (b) Monetary contributions to the ²[qualifying]² municipality to
25 undertake improvements to increase the safety or attractiveness of the
26 zone ²or district² to businesses which may wish to locate there or to
27 consumer visitors to the zone ²or district², including, but not limited
28 to litter clean-up and control, landscaping, parking areas and facilities,
29 recreational and rest areas and facilities, repair or improvements to
30 public streets, curbing, sidewalks and pedestrian thoroughfares, street
31 lighting, or increased police, fire or sanitation services in the enterprise
32 zone ²or UEZ-impacted business district².

33 In order to meet the requirements of paragraph (3) of this
34 subsection, an investment shall be in an amount no less than \$5,000.00
35 if the qualified business employs 10 or fewer employees, or if the
36 qualified business employs more than 10 employees, not less than the
37 amount produced by multiplying the number of employees employed
38 by the qualified business by \$500.00. A qualified business shall be
39 required to make an investment for each year the qualified business
40 does not meet the requirements of subsection a. of this section. In
41 order to receive the incentives permitted by this section, the business
42 shall provide written evidence of the investment to the authority.

43 (cf: P.L.1993, c.367, s.8)

44
45 ²[5.] 11.² (New section) a. Notwithstanding the provisions of any
46 law, rule, regulation or order to the contrary, the designation of an

1 enterprise zone by the authority pursuant to P.L.1983, c.303
2 (C.52:27H-60 et ²[al.] seq.²), which is located in a municipality in
3 which the annual average of unemployed persons is equal to or greater
4 than 2,000, or the municipal average annual unemployment rate
5 exceeds the State average annual unemployment rate, or an enterprise
6 zone which is located in a municipality contiguous to a municipality in
7 which an enterprise zone is designated pursuant to P.L.1983, c.303
8 (C.52:27H-60 et ²[al.] seq.²) and in which the annual average of
9 unemployed persons is equal to or greater than 2,000 or the municipal
10 average annual unemployment rate exceeds the State average annual
11 unemployment rate, shall¹, following the expiration of the third five-
12 year period during which the State shall have collected reduced rate
13 revenues within the zone as provided in subsection c. of section 21 of
14 P.L.1983, c.303 (C.52:27H-80).¹ be extended by the authority, on a
15 one-time basis, for ²[the same period as the original designation] a
16 period of 16 years², within 90 days after the effective date of P.L. ,
17 c. (C.) (now before the Legislature as this bill), or within 90
18 days after the expiration of ¹[the] that¹ third five-year period
19 ¹[provided in subsection c. of section 21 of P.L.1983, c.303
20 (C.52:27H-80), as appropriate], whichever is later¹.

21 b. During the 90 day period provided for in subsection a. of this
22 section, the authority shall notify all qualified businesses in the
23 enterprise zone that the benefits authorized by sections 16 through 20
24 of P.L.1983, c.303 (C.52:27H-75 through C.52:27H-79) shall be
25 extended to qualified businesses in the enterprise zone commencing
26 with the designation of the extended enterprise zone and continuing as
27 long as a zone retains its designation as an extended enterprise zone.

28 c. Notwithstanding any other provisions of any law, rule or
29 regulation to the contrary, 90 days after the ²expiration of the² period
30 provided for in subsection c. of section 21 of P.L.1983, c.303
31 (C.52:27H-80), except as provided in subsection b. of section 6 of
32 P.L.1996, c.124 (C.13:1E-116.6), and after first depositing 10 percent
33 of the gross amount of all revenues received from the taxation of retail
34 sales made by certified vendors from business locations in an extended
35 enterprise zone designated pursuant to subsection a. of this section, to
36 which this exemption shall apply into the account created in the name
37 of the authority in the enterprise zone assistance fund pursuant to
38 section 29 of P.L.1983, c.303 (C.52:27H-88), the remaining 90
39 percent shall be deposited immediately upon collection by the
40 Department of the Treasury, as follows:

41 (1) In the first five-year period during which the State shall have
42 collected reduced rate revenues within the extended enterprise zone,
43 all such revenues shall be deposited in the enterprise zone assistance
44 fund created pursuant to section 29 of P.L.1983, c.303
45 (C.52:27H-88);

46 (2) In the second five-year period during which the State shall have

1 collected reduced rate revenues within the extended enterprise zone,
2 66 2/3% of all those revenues shall be deposited in the enterprise zone
3 assistance fund, and 33 1/3% shall be deposited in the General Fund;

4 (3) In the third five-year period during which the State shall have
5 collected reduced rate revenues within the extended enterprise zone,
6 33 1/3% of all those revenues shall be deposited in the enterprise zone
7 assistance fund, and 66 2/3% shall be deposited in the General Fund;

8 (4) In the final ²[five-year period] year ²during which the State
9 shall have collected reduced rate revenues within the extended
10 enterprise zone, but not to exceed the life of the enterprise zone, all
11 those revenues shall be deposited in the General Fund.

12 The revenues required to be deposited in the enterprise zone
13 assistance fund under this section shall be used for the purposes of that
14 fund and for the uses prescribed in section 29 of P.L.1983, c.303
15 (C.52:27H-88), subject to annual appropriations being made for those
16 purposes and uses.

17 d. The designation as an extended enterprise zone pursuant to this
18 section shall terminate if the authority determines that the municipality
19 in which the zone is located fails to meet the criteria of subsection a.
20 of this section for three consecutive years. Any enterprise zone which
21 loses its designation as an extended enterprise zone pursuant to this
22 subsection shall be eligible to ²[apply] re-apply² to the authority for
23 designation as an extended enterprise zone pursuant to the provisions
24 of P.L.1983, c.303 (C.52:27H-60 et ²[al.] seq.²). If the authority
25 approves its application, an urban enterprise zone designation may be
26 extended to the applicant in accordance with the schedules set forth in
27 P.L.1983, c.303 (C.52:27H-60 et ²[al.] seq.²), beginning at the point
28 where the enterprise zone was located on such schedules on the
29 effective date of P.L. , c. (C.) (now before the Legislature as this
30 bill).

31
32 ²12. (New section) The three additional zones, authorized pursuant
33 to P.L. , c. (C.) (now before the Legislature as this bill), shall be
34 designated within 90 days of the date of the submittal of an application
35 and zone development plan, provided that the joint zone shall be
36 designated within 90 days of the date of the submittal of a joint
37 application and a joint zone development plan by the adjoining
38 municipalities. The authority shall accept applications within 90 days
39 of the effective date of P.L. , c. (C.) (now before the Legislature
40 as this bill). Notwithstanding the provisions of P.L.1983, c.303
41 (C.52:27H-60 et seq.) to the contrary, the additional enterprise zones
42 to be designated by the authority pursuant to the criteria for priority
43 consideration set forth in this section shall be entitled to an exemption
44 to the extent of 50% of the tax imposed under the "Sales and Use Tax
45 Act," P.L.1966, c.30 (C.54:32B-1 et seq.). The following criteria
46 shall be utilized in according priority consideration for designation of

1 the three additional enterprise zones authorized pursuant to P.L. , c.
2 (C.) (now before the Legislature as this bill):

3 a. (1) The joint zone shall be located in four municipalities which
4 are adjacent to each other, one of which has a population greater than
5 5,000 and less than 5,500 according to the latest federal decennial
6 census, one of which has a population greater than 4,000 and less than
7 4,500 according to the latest federal decennial census, one of which
8 has a population greater than 3,000 and less than 4,000 according to
9 the latest federal decennial census, and one of which has a population
10 greater than 400 and less than 500 according to the latest federal
11 decennial census; and

12 (2) The joint zone shall be located in a county of the sixth class
13 according to the latest federal decennial census.

14 b. (1) The second zone shall be located in a municipality with a
15 population greater than 60,000 and less than 65,000 according to the
16 latest federal decennial census in a county of the first class with a
17 population greater than 600,000 and less than 620,000 according to
18 the latest federal decennial census; and

19 (2) The second zone shall be located in a municipality which is
20 contiguous to at least one qualifying municipality which has a
21 designated enterprise zone and which is in a county of the first class.

22 c. The third zone shall be located within a municipality that

23 (1) borders on another municipality having an urban enterprise zone;

24 (2) has a population greater than 20,000 and a population density
25 greater than 7,500 persons per square mile according to the latest
26 federal decennial census; and

27 (3) has a per capita retail sales rate that is less than \$2,500, as
28 reported by the U.S. Bureau of the Census, 1992 Census of Retail.²

29
30 ²[6. This act shall take effect immediately.] 13. This act shall take
31 effect immediately, except that sections 3, 4, 5, 6 and 12 of this act
32 shall take effect on the first day of the third month following
33 enactment, but the State Treasurer, the Chief Executive Officer and
34 Secretary of the New Jersey Commerce and Economic Growth
35 Commission, and the Executive Director of the New Jersey Urban
36 Enterprise Zone Authority may take such anticipatory actions as may
37 be necessary for the implementation of this act.²

38
39
40
41
42 Directs UEZA to establish extended enterprise zones.

CHAPTER 347

AN ACT concerning urban enterprise zones and enterprise zone-impacted business districts, amending and supplementing P.L.1983, c.303 (C.52:27H-60 et seq.).

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

1. Section 2 of P.L.1983, c.303 (C.52:27H-61) is amended to read as follows:

C.52:27H-61 Legislative findings, determinations.

2. The Legislature finds and determines:
 - a. That there persist in this State, particularly in its urban centers, areas of economic distress characterized by high unemployment, low investment of new capital, blighted conditions, obsolete or abandoned industrial or commercial structures, and deteriorating tax bases.
 - b. That the severe and persistent deterioration of these areas demands vigorous and coordinated efforts by private and public entities to restore their prosperity and enable them to resume significant contributions to the economic and social life of the State.
 - c. That the economic revitalization of these areas requires application of the skills and entrepreneurial vigor of private enterprise; and it is the responsibility of government to provide a framework within which encouragement be given to private capital investment in these areas, disincentives to investment be removed or abated, and mechanisms be provided for the coordination and cooperation of private and public agencies in restoring the economic viability and prosperity of these areas.
 - d. That certain urban areas which continue to experience high levels of unemployment should be able to continue to receive the aforementioned assistance and incentives necessary to promote economic revitalization of those areas.
 - e. That a business district with urban enterprise zones adjacent to it on two or more sides can be negatively impacted because the businesses in the adjacent enterprise zones are permitted to collect 50% less sales tax and thus have a significant advantage in competition for customers. The impacted business district can become economically distressed because there is a disincentive to businesses to invest in or stay in that business district.

2. Section 3 of P.L.1983, c.303 (C.52:27H-62) is amended to read as follows:

C.52:27H-62 Definitions.

3. As used in this act:
 - a. "Enterprise zone" or "zone" means an urban enterprise zone designated by the authority pursuant to this act;
 - b. "Authority" means the New Jersey Urban Enterprise Zone Authority created by this act;
 - c. "Qualified business" means any entity authorized to do business in the State of New Jersey which, at the time of designation as an enterprise zone or a UEZ-impacted business district, is engaged in the active conduct of a trade or business in that zone or district; or an entity which, after that designation but during the designation period, becomes newly engaged in the active conduct of a trade or business in that zone or district and has at least 25% of its full-time employees employed at a business location in the zone or district, meeting one or more of the following criteria:
 - (1) Residents within the zone, the district, within another zone or within a qualifying municipality; or
 - (2) Unemployed for at least six months prior to being hired and residing in New Jersey, and recipients of New Jersey public assistance programs for at least six months prior to being hired, or either of the aforesaid; or
 - (3) Determined to be low income individuals pursuant to the Workforce Investment Act of 1998, Pub. L. 105-220 (29 U.S.C. s.2811);
 - d. "Qualifying municipality" means any municipality in which there was, in the last full calendar year immediately preceding the year in which application for enterprise zone designation is submitted pursuant to section 14 of P.L.1983, c.303 (C.52:27H-73), an annual average of at least 2,000 unemployed persons, and in which the municipal average annual unemployment rate for that year exceeded the State average annual unemployment rate; except that any municipality which qualifies for State aid pursuant to P.L.1978, c.14 (C.52:27D-178 et seq.) shall qualify if

its municipal average annual unemployment rate for that year exceeded the State average annual unemployment rate. The annual average of unemployed persons and the average annual unemployment rates shall be estimated for the relevant calendar year by the Office of Labor Planning and Analysis of the State Department of Labor. In addition to those municipalities that qualify pursuant to the criteria set forth above, that municipality accorded priority designation pursuant to subsection e. of section 7 of P.L.1983, c.303 (C.52:27H-66), that municipality set forth in paragraph (7) of section 3 of P.L.1995, c.382 (C.52:27H-66.1) and the municipalities in which the three additional enterprise zones, including the joint enterprise zone, are to be designated pursuant to criteria according priority consideration for designation of the zones pursuant to section 12 of P.L.2001, c.347 (C.52:27H-66.7) shall be deemed qualifying municipalities;

e. "Public assistance" means income maintenance funds administered by the Department of Human Services or by a county welfare agency;

f. "Zone development corporation" means a nonprofit corporation or association created or designated by the governing body of a qualifying municipality to formulate and propose a preliminary zone development plan pursuant to section 9 of P.L.1983, c.303 (C.52:27H-68) and to prepare, monitor, administer and implement the zone development plan;

g. "Zone development plan" means a plan adopted by the governing body of a qualifying municipality for the development of an enterprise zone therein, and for the direction and coordination of activities of the municipality, zone businesses and community organizations within the enterprise zone toward the economic betterment of the residents of the zone and the municipality;

h. "Zone neighborhood association" means a corporation or association of persons who either are residents of, or have their principal place of employment in, a municipality in which an enterprise zone has been designated pursuant to this act; which is organized under the provisions of Title 15 of the Revised Statutes or Title 15A of the New Jersey Statutes; and which has for its principal purpose the encouragement and support of community activities within, or on behalf of, the zone so as to (1) stimulate economic activity, (2) increase or preserve residential amenities, or (3) otherwise encourage community cooperation in achieving the goals of the zone development plan;

i. "Enterprise zone assistance fund" or "assistance fund" means the fund created by section 29 of P.L.1983, c.303 (C.52:27H-88); and

j. "UEZ-impacted business district" or "district" means an economically-distressed business district classified by the authority as having been negatively impacted by two or more adjacent urban enterprise zones in which 50% less sales tax is collected pursuant to section 21 of P.L.1983, c.303 (C.52:27H-80).

C.52:27H-66.2 "UEZ-impacted business district."

3. The authority shall designate a classification known as a "UEZ-impacted business district" for a municipality which can demonstrate to the authority that its business district is economically distressed and is being negatively impacted by the presence of two or more adjacent enterprise zones in which 50% less sales tax is collected pursuant to section 21 of P.L. 1983, c. 303 (C.52:27H-80).

C.52:27H-66.3 Application for classification of UEZ-impacted business district.

4. a. A municipality shall apply to the authority for the classification of UEZ-impacted business district by submitting an application as required by the authority along with detailed findings made after a public hearing that the business district is economically distressed and that the adjacent enterprise zones are having a negative impact upon the municipality's business district.

b. In according consideration for designation of the UEZ-impacted business district classification authorized pursuant to section 3 of P.L.2001, c.347 (C.52:27H-66.2), the following criteria shall be utilized by the authority:

(1) the district shall be located in a municipality which is between two municipalities each of which has an enterprise zone; and

(2) the borders of the two enterprise zones of the adjacent municipalities shall in part be contiguous to the border of the applicant municipality.

C.52:27H-66.4 UEZ-impacted business district, tax exemption for qualified businesses.

5. a. A qualified business within a UEZ-impacted business district authorized pursuant to section 3 of P.L.2001, c.347 (C.52:27H-66.2) shall be entitled to an exemption to the extent of 50% from the tax imposed under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.) in accordance with section 21 of the "New Jersey Urban Enterprise Zones Act," P.L.1983, c.303 (C.52:27H-80) to the same extent as that granted to qualified businesses in the adjacent enterprise zones provided that the qualified business applies to the Director of the Division of Taxation in the Department of the Treasury for certification pursuant to section 21 of P.L.1983, c.303 (C.52:27H-80), meets the eligibility criteria of section 27 of P.L.1983, c.303 (C.52:27H-86), and satisfies the annual certification requirements of section 28 of P.L.1983, c.303 (C.52:27H-87).

b. The reduced rate revenues authorized by this section and received from the taxation of retail sales made by qualified businesses in the UEZ-impacted business district shall be deposited in the General Fund and not allocated in accordance with section 21 of the "New Jersey Urban Enterprise Zones Act," P.L.1983, c.303 (C.52:27H-80), to the enterprise zone assistance fund.

c. Other than the reduction in sales tax rate provided to qualified businesses pursuant to this section, no tax credits, incentives, programs or other benefits of the "New Jersey Urban Enterprise Zones Act," P.L.1983, c.303 (C.52:27H-60 et seq.), shall be available to businesses in the district as a result of a UEZ-impacted business district designation.

C.52:27H-66.5 Review of designation as UEZ-impacted business district.

6. When the duration of one or more of the enterprise zones adjacent to the UEZ-impacted business district expires but the UEZ-impacted business district continues to be adjacent to one or more remaining enterprise zones, the authority shall review the designation of the UEZ-impacted business district. If upon conducting a hearing, the authority finds that the business district continues to be economically distressed and negatively impacted by the remaining adjacent enterprise zone, the UEZ-impacted business district designation shall be continued. The designation of UEZ-impacted business district shall terminate automatically when the duration of the last enterprise zone adjacent to the district ends.

7. Section 4 of P.L.1983, c.303 (C.52:27H-63) is amended to read as follows:

C.52:27H-63 New Jersey Urban Enterprise Zone Authority.

4. a. There is created the New Jersey Urban Enterprise Zone Authority, which shall consist of:

(1) The Chief Executive Officer and Secretary of the New Jersey Commerce and Economic Growth Commission, who shall be chairman of the authority;

(2) The Commissioner of the Department of Community Affairs;

(3) The Commissioner of the Department of Labor;

(4) The State Treasurer; and

(5) Five public members not holding any other office, position or employment in the State Government, nor any local elective office, who shall be appointed by the Governor with the advice and consent of the Senate, and who shall be qualified for their appointments by training and experience in the areas of local government finance, economic development and redevelopment, or volunteer civic service and community organization. No more than three public members shall be of the same political party. At least one public member of the authority shall reside within an enterprise zone; however, the provisions of this section shall apply only to members appointed or reappointed after the effective date of P.L.2001, c.347 (C.52:27H-66.2 et al.).

b. The public members of the authority shall serve for terms of five years, except that of the members first appointed, one shall serve for a term of one year, one shall serve for a term of two years, one shall serve for a term of three years, one shall serve for a term of four years, and one shall serve for a term of five years. Vacancies in the public membership shall be filled in the manner of the original appointments but for the unexpired terms.

c. An ex officio member of the authority may, from time to time, designate in writing to the authority an official within his respective department to attend and represent the department at

the meetings of the authority from which the ex officio member is absent, and that designated representative shall be entitled to vote and otherwise act for the ex officio member at those meetings.

8. Section 7 of P.L.1983, c.303 (C.52:27H-66) is amended to read as follows:

C.52:27H-66 Designation of enterprise zones.

7. The authority shall designate enterprise zones from among those areas of qualifying municipalities determined to be eligible pursuant to this act. No more than 30 enterprise zones shall be in effect at any one time. No more than one enterprise zone shall be designated in any one municipality. Except as otherwise provided by section 11 of P.L.2001, c.347 (C.52:27H-66.6), any designation granted shall be for a period of 20 years, beginning with the year in which a zone is eligible for an exemption to the extent of 50% of the tax imposed under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.), and shall not be renewed at the end of that period. In designating enterprise zones the authority shall seek to avoid excessive geographic concentration of zones in any particular region of the State. At least six of the 10 additional enterprise zones authorized pursuant to section 3 of P.L.1993, c.367 shall be located in counties in which enterprise zones have not previously been designated and shall be designated within 90 days of the date of the submittal of an application and zone development plan. The authority shall accept applications within 90 days of the effective date of P.L.1993, c.367. Notwithstanding the provisions of P.L.1983, c.303 (C.52:27H-60 et seq.) to the contrary, the six additional enterprise zones to be designated by the authority pursuant to the criteria for priority consideration in this section shall be entitled to an exemption to the extent of 50% of the tax imposed under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.). The following criteria shall be utilized in according priority consideration for designation of these zones by the authority:

a. One zone shall be located in a county of the second class with a population greater than 595,000 and less than 675,000 according to the latest federal decennial census and shall be located in the qualifying municipality in that county with the highest annual average number of unemployed persons and the highest average annual unemployment rate for the 1992 calendar year according to the estimate by the State Department of Labor;

b. Two zones shall be located in a county of the second class with a population greater than 445,000 and less than 455,000 according to the latest federal decennial census, one of which shall be located in the qualifying municipality in that county with the highest annual average number of unemployed persons and the highest average annual unemployment rate for the 1992 calendar year according to the estimate by the State Department of Labor, and one of which shall be located in the qualifying municipality in that county with the second highest annual average number of unemployed persons and the second highest average annual unemployment rate for the 1992 calendar year according to the estimate by the State Department of Labor;

c. One zone shall be located in a county of the third class with a population greater than 84,000 and less than 92,000 according to the latest federal decennial census and shall be located in the qualifying municipality in that county with the highest annual average number of unemployed persons and the highest average annual unemployment rate for the 1992 calendar year according to the estimate by the State Department of Labor;

d. One zone shall be located within two noncontiguous qualifying municipalities but comprised of not more than two noncontiguous areas each having a continuous border, if:

(1) both municipalities are located in the same county which shall be a county of the fifth class with a population greater than 500,000 and less than 555,000 according to the latest federal decennial census;

(2) the two municipalities submit a joint application and zone development plan; and

(3) each of the municipalities has a population greater than 16,000 and less than 30,000 and a population density of more than 5,000 persons per square mile, according to the latest federal decennial census; and

e. One zone shall be located within a municipality having a population greater than 38,000 and less than 46,000 according to the latest federal decennial census if the municipality is located

within a county of the fifth class with a population greater than 340,000 and less than 440,000 according to the latest federal decennial census.

9. Section 21 of P.L.1983, c.303 (C.52:27H-80) is amended to read as follows:

C.52:27H-80 Sales tax exemption for retail sales.

21. Receipts of retail sales, except retail sales of motor vehicles, of alcoholic beverages as defined in the "Alcoholic Beverage Tax Law," R.S.54:41-1 et seq., of cigarettes as defined in the "Cigarette Tax Act," P.L.1948, c.65 (C.54:40A-1 et seq.), of manufacturing machinery, equipment or apparatus, and of energy, made by a certified vendor from a place of business owned or leased and regularly operated by the vendor for the purpose of making retail sales, and located in a designated enterprise zone established pursuant to the "New Jersey Urban Enterprise Zones Act," P.L.1983, c.303 (C.52:27H-60 et al.), or a UEZ-impacted business district established pursuant to section 3 of P.L.2001, c.347 (C.52:27H-66.2), are exempt to the extent of 50% of the tax imposed under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.).

Any vendor, which is a qualified business having a place of business located in a designated enterprise zone or in a designated UEZ-impacted business district, may apply to the Director of the Division of Taxation in the Department of the Treasury for certification pursuant to this section. The director shall certify a vendor if he shall find that the vendor owns or leases and regularly operates a place of business located in the designated enterprise zone or in the designated UEZ-impacted business district for the purpose of making retail sales, that items are regularly exhibited and offered for retail sale at that location, and that the place of business is not utilized primarily for the purpose of catalogue or mail order sales. The certification under this section shall remain in effect during the time the business retains its status as a qualified business meeting the eligibility criteria of section 27 of P.L.1983, c.303 (C.52:27H-86). However, the director may at any time revoke a certification granted pursuant to this section if he shall determine that the vendor no longer complies with the provisions of this section.

Notwithstanding the provisions of this act to the contrary, except as may otherwise be provided by section 7 of P.L.1983, c.303 (C.52:27H-66), the authority may, in its discretion, determine whether or not the provisions of this section shall apply to any enterprise zone designated after the effective date of P.L.1985, c.142 (C.52:27H-66 et al.); provided, however, that the authority may make such a determination only where the authority finds that the award of an exemption of 50 percent of the tax imposed under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.) will not have any adverse economic impact upon any other urban enterprise zone.

Notwithstanding any other provisions of law to the contrary, except as provided in subsection b. of section 6 of P.L.1996, c.124 (C.13:1E-116.6), after first depositing 10 percent of the gross amount of all revenues received from the taxation of retail sales made by certified vendors from business locations in designated enterprise zones to which this exemption shall apply into the account created in the name of the authority in the enterprise zone assistance fund pursuant to section 29 of P.L.1983, c.303 (C.52:27H-88), the remaining 90 percent shall be deposited immediately upon collection by the Department of the Treasury, as follows:

a. In the first five-year period during which the State shall have collected reduced rate revenues within an enterprise zone, all such revenues shall be deposited in the enterprise zone assistance fund created pursuant to section 29 of P.L.1983, c.303 (C.52:27H-88);

b. In the second five-year period during which the State shall have collected reduced rate revenues within an enterprise zone, 66 $\frac{2}{3}$ % of all those revenues shall be deposited in the enterprise zone assistance fund, and 33 $\frac{1}{3}$ % shall be deposited in the General Fund;

c. In the third five-year period during which the State shall have collected reduced rate revenues within an enterprise zone, 33 $\frac{1}{3}$ % of all those revenues shall be deposited in the enterprise zone assistance fund, and 66 $\frac{2}{3}$ % shall be deposited in the General Fund;

d. In the final five-year period during which the State shall have collected reduced rate revenues within an enterprise zone, but not to exceed the life of the enterprise zone, all those revenues shall be deposited in the General Fund.

Commencing on the effective date of P.L.1993, c.144, all revenues in any enterprise zone to which the provisions of this section have been extended prior to the enactment of P.L.1993, c.144 shall be deposited into the enterprise zone assistance fund until there shall have been deposited

all revenues into that fund for a total of five full years, as set forth in subsection a. of this section. The State Treasurer then shall proceed to deposit funds into the enterprise zone assistance fund according to the schedule set forth in subsections b. through d. of this section, beginning at the point where the enterprise zone was located on that schedule on the effective date of P.L.1993, c.144. No enterprise zone shall receive the deposit benefit granted by any one subsection of this section for more than five cumulative years.

The revenues required to be deposited in the enterprise zone assistance fund under this section shall be used for the purposes of that fund and for the uses prescribed in section 29 of P.L.1983, c.303 (C.52:27H-88), subject to annual appropriations being made for those purposes and uses.

10. Section 27 of P.L.1983, c.303 (C.52:27H-86) is amended to read as follows:

C.52:27H-86 Eligibility for incentives.

27. To be eligible for any of the incentives provided under this act a qualified business must demonstrate to the satisfaction of the authority that:

- a. The business will create new employment in the municipality;
- b. The business will not create unemployment in other areas of the State, including the municipality in which the zone or UEZ-impacted business district is located.
- c. For the purposes of eligibility for the incentives provided under sections 17, 19, 20, and 21 of P.L.1983, c.303 (C.52:27H-76, 52:27H-78, 52:27H-79, and 52:27H-80, respectively), a qualified business shall not be required to meet the requirements of subsection a. of this section, if:

- (1) At the time of designation of the enterprise zone or at the time zone designation is extended by expansion to the location of a business or at the time of designation of the UEZ-impacted business district, the qualified business had been engaged in the active conduct of a trade or business in that zone or in the added area of that zone or in that district for at least one year prior to that designation or expansion;

- (2) The qualified business employs fewer than 50 employees; and

- (3) The qualified business has entered into an agreement, approved by the authority, with the governing body of the qualifying municipality in which the enterprise zone is located or the municipality where the UEZ-impacted business district is located, under which the qualified business agrees to undertake an investment in the enterprise zone or district in lieu of the employment of new employees. An investment permitted under an agreement shall be in an amount and of a nature which the municipal governing body and the authority find shall contribute substantially to the economic attractiveness of the enterprise zone or district, and may include, but shall not be limited to:

- (a) The improvement of the exterior appearance or customer facilities of the property constituting the place of business of the qualified business within the zone or district; provided that the improvement is of a permanent nature and not required to meet existing ordinances or code regulations; or

- (b) Monetary contributions to the municipality to undertake improvements to increase the safety or attractiveness of the zone or district to businesses which may wish to locate there or to consumer visitors to the zone or district, including, but not limited to litter clean-up and control, landscaping, parking areas and facilities, recreational and rest areas and facilities, repair or improvements to public streets, curbing, sidewalks and pedestrian thoroughfares, street lighting, or increased police, fire or sanitation services in the enterprise zone or UEZ-impacted business district.

In order to meet the requirements of paragraph (3) of this subsection, an investment shall be in an amount no less than \$5,000.00 if the qualified business employs 10 or fewer employees, or if the qualified business employs more than 10 employees, not less than the amount produced by multiplying the number of employees employed by the qualified business by \$500.00. A qualified business shall be required to make an investment for each year the qualified business does not meet the requirements of subsection a. of this section. In order to receive the incentives permitted by this section, the business shall provide written evidence of the investment to the authority.

C.52:27H-66.6 Extension of designation, certain circumstances.

11. a. Notwithstanding the provisions of any law, rule, regulation or order to the contrary, the designation of an enterprise zone by the authority pursuant to P.L.1983, c.303 (C.52:27H-60 et seq.), which is located in a municipality in which the annual average of unemployed persons is equal to or greater than 2,000, or the municipal average annual unemployment rate exceeds the State average annual unemployment rate, or an enterprise zone which is located in a municipality contiguous to a municipality in which an enterprise zone is designated pursuant to P.L.1983, c.303 (C.52:27H-60 et seq.) and in which the annual average of unemployed persons is equal to or greater than 2,000 or the municipal average annual unemployment rate exceeds the State average annual unemployment rate, shall, following the expiration of the third five-year period during which the State shall have collected reduced rate revenues within the zone as provided in subsection c. of section 21 of P.L.1983, c.303 (C.52:27H-80), be extended by the authority, on a one-time basis, for a period of 16 years, within 90 days after the effective date of P.L.2001, c.347 (C.52:27H-66.2 et al.), or within 90 days after the expiration of that third five-year period, whichever is later.

b. During the 90-day period provided for in subsection a. of this section, the authority shall notify all qualified businesses in the enterprise zone that the benefits authorized by sections 16 through 20 of P.L.1983, c.303 (C.52:27H-75 through C.52:27H-79) shall be extended to qualified businesses in the enterprise zone commencing with the designation of the extended enterprise zone and continuing as long as a zone retains its designation as an extended enterprise zone.

c. Notwithstanding any other provisions of any law, rule or regulation to the contrary, 90 days after the expiration of the period provided for in subsection c. of section 21 of P.L.1983, c.303 (C.52:27H-80), except as provided in subsection b. of section 6 of P.L.1996, c.124 (C.13:1E-116.6), and after first depositing 10 percent of the gross amount of all revenues received from the taxation of retail sales made by certified vendors from business locations in an extended enterprise zone designated pursuant to subsection a. of this section, to which this exemption shall apply into the account created in the name of the authority in the enterprise zone assistance fund pursuant to section 29 of P.L.1983, c.303 (C.52:27H-88), the remaining 90 percent shall be deposited immediately upon collection by the Department of the Treasury, as follows:

(1) In the first five-year period during which the State shall have collected reduced rate revenues within the extended enterprise zone, all such revenues shall be deposited in the enterprise zone assistance fund created pursuant to section 29 of P.L.1983, c.303 (C.52:27H-88);

(2) In the second five-year period during which the State shall have collected reduced rate revenues within the extended enterprise zone, 66 2/3% of all those revenues shall be deposited in the enterprise zone assistance fund, and 33 1/3% shall be deposited in the General Fund;

(3) In the third five-year period during which the State shall have collected reduced rate revenues within the extended enterprise zone, 33 1/3% of all those revenues shall be deposited in the enterprise zone assistance fund, and 66 2/3% shall be deposited in the General Fund;

(4) In the final year during which the State shall have collected reduced rate revenues within the extended enterprise zone, but not to exceed the life of the enterprise zone, all those revenues shall be deposited in the General Fund.

The revenues required to be deposited in the enterprise zone assistance fund under this section shall be used for the purposes of that fund and for the uses prescribed in section 29 of P.L.1983, c.303 (C.52:27H-88), subject to annual appropriations being made for those purposes and uses.

d. The designation as an extended enterprise zone pursuant to this section shall terminate if the authority determines that the municipality in which the zone is located fails to meet the criteria of subsection a. of this section for three consecutive years. Any enterprise zone which loses its designation as an extended enterprise zone pursuant to this subsection shall be eligible to re-apply to the authority for designation as an extended enterprise zone pursuant to the provisions of P.L.1983, c.303 (C.52:27H-60 et seq.). If the authority approves its application, an urban enterprise zone designation may be extended to the applicant in accordance with the schedules set forth in P.L.1983, c.303 (C.52:27H-60 et seq.), beginning at the point where the

enterprise zone was located on such schedules on the effective date of P.L.2001, c.347 (C.52:27H-66.2 et al.).

C.52:27H-66.7 Designation of three additional zones.

12. The three additional zones, authorized pursuant to P.L.2001, c.347 (C.52:27H-66.2 et al.), shall be designated within 90 days of the date of the submittal of an application and zone development plan, provided that the joint zone shall be designated within 90 days of the date of the submittal of a joint application and a joint zone development plan by the adjoining municipalities. The authority shall accept applications within 90 days of the effective date of P.L.2001, c.347 (C.52:27H-66.2 et al.). Notwithstanding the provisions of P.L.1983, c.303 (C.52:27H-60 et seq.) to the contrary, the additional enterprise zones to be designated by the authority pursuant to the criteria for priority consideration set forth in this section shall be entitled to an exemption to the extent of 50% of the tax imposed under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.). The following criteria shall be utilized in according priority consideration for designation of the three additional enterprise zones authorized pursuant to P.L.2001, c.347 (C.52:27H-66.2 et al.):

a. (1) The joint zone shall be located in four municipalities which are adjacent to each other, one of which has a population greater than 5,000 and less than 5,500 according to the latest federal decennial census, one of which has a population greater than 4,000 and less than 4,500 according to the latest federal decennial census, one of which has a population greater than 3,000 and less than 4,000 according to the latest federal decennial census, and one of which has a population greater than 400 and less than 500 according to the latest federal decennial census; and

(2) The joint zone shall be located in a county of the sixth class according to the latest federal decennial census.

b. (1) The second zone shall be located in a municipality with a population greater than 60,000 and less than 65,000 according to the latest federal decennial census in a county of the first class with a population greater than 600,000 and less than 620,000 according to the latest federal decennial census; and

(2) The second zone shall be located in a municipality which is contiguous to at least one qualifying municipality which has a designated enterprise zone and which is in a county of the first class.

c. The third zone shall be located within a municipality that

(1) borders on another municipality having an urban enterprise zone;

(2) has a population greater than 20,000 and a population density greater than 7,500 persons per square mile according to the latest federal decennial census; and

(3) has a per capita retail sales rate that is less than \$2,500, as reported by the U.S. Bureau of the Census, 1992 Census of Retail.

13. This act shall take effect immediately, except that sections 3, 4, 5, 6 and 12 of this act shall take effect on the first day of the third month following enactment, but the State Treasurer, the Chief Executive Officer and Secretary of the New Jersey Commerce and Economic Growth Commission, and the Executive Director of the New Jersey Urban Enterprise Zone Authority may take such anticipatory actions as may be necessary for the implementation of this act.

Approved January 6, 2002.