The Assembly Appropriations Committee reports favorably Assembly Bill No. 4306 (1R), with committee amendments.

As amended, this bill establishes the Grow New Jersey Assistance Program (“program”) to encourage businesses to engage in economic development, job creation and the preservation of existing jobs within New Jersey. The bill establishes a $200 million tax credit incentive program that emphasizes growth of New Jersey-based companies through capital investment, creation of new jobs and retention of existing jobs.

To be eligible for program tax credits, the bill requires a business to make capital investments of at least $20,000,000 at a qualified business facility at which it will employ at least 100 full-time employees in retained full-time jobs, or create at least 100 new full-time jobs in an industry deemed desirable by the New Jersey Economic Development Authority (EDA). Eligibility for program tax credits will also be based upon a determination by the EDA that the capital investment will yield a net positive benefit to the State and that the award of tax credits is a material factor in the business decision to create or retain the minimum number of full-time jobs.

The program’s cost falls under the $1.5 billion cap established under the “Urban Transit Hub Tax Credit” (“UTHTC”) program. The bill allows the initial $200 million program allocation to be increased by the board of the EDA if the board determines the credits to be reasonable, justifiable, and appropriate. The bill requires that all applications for eligibility under the program shall be made to the EDA by July 1, 2014.

The bill requires that a minimum of $20 million in capital investment be spent at the project site. Owners, tenants, and affiliates will be allowed to participate in cost sharing to meet this eligibility requirement. The bill provides that the amount of tax credits that can be applied by a business annually under the program cannot exceed the lesser of one-tenth of the capital investment, or $4,000,000.

The bill requires the EDA to establish standards for the construction and renovation of business facilities based on the green
building manual prepared by the Commissioner of Community Affairs. Areas of the State where program assistance will be available include: 1) Planning Area 1 (Metropolitan), Planning Area 2 (Suburban), and any urban, regional, or town designated center locations under the State Development and Redevelopment Plan; 2) former military bases closed under the federal Base Closure and Realignment Act; 3) vacant commercial office, laboratory, or industrial properties having over 400,000 square feet for at least one year or impacted by UTHTC program approval; and 4) areas "targeted for development" in the New Jersey Meadowlands, Highlands, and Pinelands, as specified in the acts establishing these areas.

Under the bill’s program, an eligible business will receive a base tax credit of $5,000 per job, per year, for 10 years with no distinction between retained or new jobs. The tax credit term of 10 years includes an annual compliance review for credit issuance. The base tax credit may be increased by a bonus award amount of up to $3,000 per job by an eligible business that, as determined by the authority, meets the following factors: 1) is an industry identified by the authority as desirable for the State to maintain or attract; 2) locates or relocates to a location adjacent to, or within walking distance or short-distance-shuttle service of, a public transit facility, as determined by the EDA, by regulation; 3) creates jobs using full-time employees whose annual salaries, according to the Department of Labor and Workforce Development, are greater than the salary of the average worker employed in this State; or 4) is negatively impacted by the approval of a “qualified business facility,” under the UTHTC program. The per-project benefit shall not exceed the capital investment at the project site. Tax credits issued to an eligible business are transferable through elective tax credit transfer certificates.

The bill’s program provides for forfeiting the amount of assistance received in the current year and any future year in which a business receiving assistance under the program does not meet an 80 percent Statewide job maintenance and 15-year job maintenance requirements.

The bill expands the definition of “urban transit hub” under the UTHTC law to include eligibility for that tax credit assistance program any project commencing construction after the effective date of the bill that is located within a half mile radius of a New Jersey Transit Corporation rail station located at an international airport, except for any property owned or controlled by the Port Authority of New York and New Jersey.

The bill clarifies that an eligible business claiming a tax credit under the UTHTC program must first receive EDA certification, rather than approval, and that the business met the capital investments and employment requirements prior to claiming the tax credits.

The bill makes clarifying changes to the "Business Retention and Relocation Assistance Grant" ("BRRAG") program to: 1) change the definition of “capital investment” to include under that definition that a business acquiring or leasing a qualified business facility as deemed to
have acquired the capital investment made or acquired by the seller or landlord, as the case may be; and 2) repeal the requirement that tax credits issued under the BRRAG program may not be applied by the business against liability until the State Treasurer has certified that the amount of retained State tax revenue from the business for the tax period prior to the period in which the credits will be applied, equals or exceeds the amount of the tax credits.

The bill authorizes the State Treasurer to sell and convey, to the New Jersey Performing Arts Center, in one or more series of transactions, all or any portion of the State of New Jersey’s right, title and interest in the land and improvements located in the City of Newark, now subject to the sublease between the State Treasurer and the New Jersey Performing Arts Center which appear on the tax map of the City of Newark which was designated for commercial development pursuant to the sublease.

As amended and reported by the committee, this bill is identical to Senate Bill No. 3033 (4R), as also amended and reported by the committee.

**FISCAL IMPACT:**

In establishing the Grow New Jersey Assistance Program and in amending the Urban Transit Hub Tax Credit Act, the bill’s direct revenue loss to the State General Fund and Property Tax Relief Fund could be no higher than $1.11 billion -- the difference between the urban transit hub tax credit program’s $1.5 billion cap and the $394 million in tax credits the EDA has awarded to ten projects through April 18, 2011 -- accumulated over several years.

In amending provisions of law concerning the Business Retention and Relocation Assistance Grant Program, the bill’s direct revenue loss to the State General Fund could be no higher than $17.3 million annually -- the difference between the program’s $20 million annual cap and the estimated $2.7 million in such credits currently claimed under the program.

Whether the bill’s impact will actually approach those respective cost ceilings will largely depend on the extent to which the program’s caps would be reached absent this bill. If the bill leads to the granting of tax credits to additional capital projects and if absent this bill the programs would reach their caps, then the bill will not spur an additional State revenue loss, but will merely reallocate tax credits.

To the extent that additional tax credits awarded pursuant to this bill are essential to the realization of capital projects, such projects will also generate indeterminate indirect fiscal benefits to the State and affected local governments that may offset, in part or in their entirety, the revenue loss and opportunity cost of providing the financial assistance authorized by the bill. The Office of Legislative Services, however, cannot gauge the volume and characteristics of credit-induced investments and their ensuing trickle-down effects on State
and local government tax receipts, and therefore cannot posit an annual net fiscal impact estimate.

COMMITTEE AMENDMENTS:

The amendments allow the EDA to award GROW-NJ tax credits to a business that must submit a proposal and fulfill a contract with the federal government although the award of tax credits is not a material factor in the business’s decision to retain at least 100 full-time jobs, as is otherwise required of businesses under the bill.

The amendments modify the definition of "Urban Transit Hub" under current law to include:

1 - property located within a one mile radius of a rail station if the property is in an area that is the subject of a Choice Neighborhoods Transformation Plan funded by the federal Department of Housing and Urban Development,

2 - the site of the campus of an acute care medical facility located within a one mile radius of a rail station, and

3 – the site of a closed hospital located within a one mile radius of a rail station.