SENATE ECONOMIC GROWTH COMMITTEE

STATEMENT TO

[First Reprint]
ASSEMBLY, No. 2041

STATE OF NEW JERSEY

DATED: FEBRUARY 22, 2018

The Senate Economic Growth Committee reports favorably Assembly Bill No. 2041(1R).

As reported, this bill supplements the Economic Redevelopment and Growth Grant (ERGG) Program by broadening the mechanisms available to finance the "up-front" costs of certain ERGG Program development projects. The ERGG Program provides economic incentives to developers of qualified projects by granting developers certain incremental increases in tax revenues related to their development projects.

The bill establishes the "Economic Redevelopment and Growth Grant Bond Financing Act" (ERGGBFA) which is modeled after the "Redevelopment Area Bond Financing Law" (RABFL). Under the ERGG program, developers that are awarded ERG incentive grants receive a revenue stream from the grant after a project has been completed and tax revenues are being paid to the State from businesses and residents within the new development. Developers often need capital to finance a project at an early stage of development. ERGGBFA addresses this revenue shortfall by allowing a developer to assign its right to receive the incentive grant to the municipality, and authorizes the municipality to issue bonds, either directly or through certain state and local authorities, secured by the incentive grant pledge, and by municipal liens and special assessments. To enhance the security of the bonds, the bill authorizes the municipality to directly assign the incentive grant and special assessments to the bondholders as payment or security for the bonds.

The bill amends the RABFL and establishes comparable provisions in the ERGGBFA, including provisions to:

(1) Allow bondholders to sell lands and improvements of projects to satisfy delinquencies in payments in lieu of taxes, special assessments, and incentive grant pledges.

(2) Prohibit termination of incentive grant agreements and financial agreements under these laws while bonds remain outstanding.

(3) Provide that the liens authorized under these laws are superior to all later arising municipal or non-municipal liens and prior liens where the lienholder consents.

(4) Allow a 20 day period to challenge a bond ordinance or resolution authorizing bonds, after which all persons are barred from questioning the validity or proper authorization of the bonds.

(5) Extend the permissible duration of agreements when bond proceeds are used to undertake environmental remediation, so they may continue for 35 years after the anticipated duration of conducting the environmental remediation, but no more than 30 years from substantial completion of the redevelopment project.

(6) When administering a special assessment for local improvements, allow environmental remediation and professional fees relating to the projects to be funded from special assessments.

The bill extends provisions of the "Long Term Tax Exemption Law" that require tax exemptions to be exercised within 35 years from the date of execution of the financial agreement, so that projects undertaken pursuant to a redevelopment agreement which allows a redeveloper to undertake sequential projects may continue for 50 years after execution of the first associated financial agreement. This change allows a municipality and a redeveloper to agree to schedule projects in phases and protects against the shortening of the permissible 30-year duration of a tax exemption for a project undertaken at a later phase of redevelopment, as long as the later-phased project is completed within 20 years after execution of the first associated financial agreement. This change does not extend the current maximum term of a tax exemption beyond 30 years, as authorized under current law.

As reported, Assembly Bill No. 2041(1R) is identical to Senate Bill No. 1840, which was reported by the committee on this date.