

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 3295

with committee amendments

STATE OF NEW JERSEY

DATED: DECEMBER 18, 2020

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 3295, with committee amendments.

As amended, this bill, named the “New Jersey Economic Recovery Act of 2020,” provides for the administration of programs and policies related to jobs, property development, food deserts, community partnerships, small and early stage businesses, State procurement, wind energy, and film production, and makes an appropriation.

Sections 2-8 of the bill are the Historic Property Reinvestment program providing tax credits for part of the cost of rehabilitating historic properties in this State. Tax credits under this program are capped at \$50 million annually for six years.

Sections 9-19 of the bill are the Brownfields Redevelopment Incentive program providing tax credits to compensate developers of redevelopment projects located on brownfield sites for remediation costs. Tax credits under this program are capped at \$50 million annually for six years

Section 20-34 of the bill are the New Jersey Innovation Evergreen program auctioning tax credits for cash, which will be used to invest in innovation as a catalyst for economic growth and to advance the competitiveness of the State’s businesses in the global economy. Tax credits under this program are capped at \$60 million annually for six years.

Sections 35-42 of the bill are the Food Desert Relief program providing tax credits in order to incentivize businesses to establish and retain new supermarkets and grocery stores in food desert communities. Tax credits under this program are capped at \$40 million annually for six years.

Sections 43-53 are the New Jersey Community-Anchored Development program providing tax credits to anchor institutions to incentivize the expansion of targeted industries in the State and the continued development of certain areas of the State. Tax credits under this program are capped at \$200 million annually for six years, but the \$200 million annual cap will be split so that up to \$130 million of tax credits will be for areas in the 13 northern counties of the State and \$70 million for areas in the eight southern counties.

Sections 54-67 are the New Jersey Aspire program providing tax credits to encourage redevelopment projects by covering certain project financing gap costs.

Sections 68-81 are the Emerge program providing tax credits to encourage economic development, job creation, and the retention of significant numbers of jobs in imminent danger of leaving the State.

Tax credits under the Aspire program combined with tax credits under the Emerge program are capped at \$1.1 billion annually for six years, but the \$1.1 billion annual cap will be split so that up to \$715 million of tax credits will be for projects located in the northern counties of the State and \$385 million for projects located in the southern counties. The \$1.1 billion cap does not apply to transformative projects. For transformative projects under the Aspire program and the Emerge program the combined credits over six years is capped at \$2.5 billion.

Sections 82-88 are the Main Street Recovery Finance program providing grants, loans, and loan guarantees to small businesses. The bill appropriates \$50 million for this program.

Section 89 allows the Director of Taxation to purchase unused tax credits.

Section 90 establishes a working group for the purpose of making recommendations for the establishment of entrepreneur zones throughout the State.

Section 91 grants preferences to businesses within the State with respect to bidders for a State contract to supply personal protective equipment.

Sections 92-97 are the New Jersey Ignite program, a public-private partnership providing start-up rent grants to collaborative workspaces to support the early months of an early stage innovation economy business's rent at the collaborative workspace. The bill appropriates \$250,000 for this program.

Section 98 sets the caps on tax credits for the programs in sections 2-81 of the bill, including an overall cap of \$11.5 billion for those programs, and allows a seventh year of tax credits under those programs for uncommitted credits.

Sections 99-105 create an Office of Economic Development Inspector General, and require employment of a Chief Compliance Officer to manage the Division of Portfolio Management and Compliance. The bill appropriates \$250,000 to implement these sections.

Sections 106-107 allow tax credits for hiring employees for the manufacture of personal protective equipment. Tax credits under these sections are capped at \$10 million annually for three years.

Section 108 allows deferrals, adjustments, and termination of incentive agreements for businesses affected by COVID-19.

Section 109 amends the Offshore Wind Economic Development Act, including to change eligibility requirements, disbursement of credits, and deadlines.

Sections 110-111 amend existing film tax credit provisions to include provisions for “New Jersey film partners” and “New Jersey film-lease partners,” and to allow an additional \$200 million of tax credits annually over 13 years.

Section 112 requires the Economic Development Authority (EDA) to adopt rules requiring that not less than the prevailing wage rate be paid to workers employed in connection with certain incentive programs.

Sections 113-114 make adjustments to the New Jersey Emerging Technology and Biotechnology Financial Assistance Program, including to increase the annual amount of tax benefits that the EDA may approve for transfer between corporations.

Section 115 allows the EDA to purchase and lease real property.

Section 116 modifies and expands what the EDA’s Economic Recovery Fund’s money may be used for.

Sections 117-119 make adjustments to the New Jersey Angel Investor Tax Credit Act, including to increase the annual tax credit cap from \$25 million to \$35 million and to add provisions for venture funds.

Sections 120-121 make adjustments to the Grow New Jersey Assistance Program, including to amend the definition of “incentive effective date.”

Section 122-124 amend the Economic Redevelopment and Growth Grant Program, including to extend deadlines and allow an additional \$220 million of tax credits to be awarded.

Sections 125-126 amend existing law to allow the Division of Taxation to share relevant taxpayer data with the EDA.

Section 127 appropriates \$55.5 million, which includes the appropriations mentioned above for implementing sections 82-88, 92-97, and 99-105, as well as \$5 million to award grants for zoning and economic planning services or economic redevelopment plans.

COMMITTEE AMENDMENTS:

The committee amended the bill to:

- adjust the cap structure set forth in section 98 for the programs in sections 2-81, including to allow for a seventh year of tax credits if the overall cap has not been met through six years, and to maintain the tax credit allocation between northern and southern counties over six years, instead of three, for the Community-Anchored Development, Aspire, and Emerge programs;
- change the wage requirements under various incentive programs;
- adjust the eligibility and factors considered for tax credits under the Brownfields program;
- require a commitment to accept benefits from federal nutrition assistance programs to be eligible for tax credits under the Food Desert Relief program, and to include supermarkets and grocery stores in the Food Desert Relief program;
- include partner anchor-institutions in the Community-Anchored Development program;

- modify the affordable housing requirements for a residential project to qualify for an incentive award under the Aspire program;
- modify the tax credit application process under the Aspire program;
- limit the requirement for developers to enter into community benefits agreements under the Aspire and Emerge programs to redevelopment projects costing \$10 million or more and have not submitted a copy of the project agreement certified by the municipality in which the project is located;
- increase the maximum number of transformative projects that may be awarded under the Aspire program from seven to 10;
- for the Emerge program: allow a bonus tax credit if one-third or more of the members of the developer's governing board or other governing body self-identify as members of an underrepresented community; include provisions for "enhanced areas" and modify the structure of the base tax credit award amounts; and modify the bonus credit for businesses that enter into a labor harmony agreement;
- adjust the film tax credits, including to extend annual tax credits allowed for "New Jersey film partners" and "New Jersey film-lease partners" to June 30, 2033 from June 30, 2028; and
- make other adjustments, including to modify some definitions and make technical corrections.

FISCAL IMPACT:

The Office of Legislative Services (OLS) notes that this bill authorizes: up to \$11.5 billion of tax credits over seven years for new incentive programs in sections 2-81; up to \$2.6 billion of film tax credits over 13 years in sections 110-111; up to \$220 million of tax credits under the Economic Redevelopment and Growth Grant program for certain project applications submitted prior to December 31, 2021 in sections 122-124; up to \$30 million over three years for hiring employees for the manufacture of personal protective equipment in sections 106-107. The bill also increases the angel investor tax credit cap from \$25 to \$35 million annually in sections 117-119. Finally, the OLS notes that the bill appropriates \$55.5 million to support various programs and administrative functions established by the bill.