LEGISLATIVE FISCAL ESTIMATE

ASSEMBLY, No. 5683

STATE OF NEW JERSEY
219th LEGISLATURE

DATED: JUNE 17, 2021

SUMMARY

Synopsis: Modifies Garden State Growth Zone tax exemption program.

Type of Impact: Indeterminate impact on State finances; indeterminate revenue decrease to affected local governments.

Agencies Affected: Department of the Treasury; cities of Atlantic City, Camden, Passaic, Paterson, and Trenton.

Office of Legislative Services Estimate

Fiscal Impact	Year 10 to Year 30
State Revenue Impact	Indeterminate
State Cost Impact	Indeterminate
Local Revenue Loss	Indeterminate

- The Office of Legislative Services (OLS) estimates that the Garden State Growth Zone (GSGZ) property valuation exemption benefits under the bill could result in (1) an indeterminate impact on State finances; and (2) a reduction in local property tax revenues, as a result of expanding GSGZs to "government-restricted municipalities," as defined in the bill, and lengthening the property valuation exemption timeframe for those municipalities. A reduction in property tax revenues would be due to encouraging potential redevelopment that may not occur without GSGZ incentives.

- Currently, there are five municipalities eligible for the GSGZ designation: Atlantic City, Camden, Passaic, Paterson, and Trenton (this does not include the "aviation district" of Atlantic City International Airport and the Federal Aviation Administration William J. Hughes Technical Center). The new "government-restricted municipality" definition – which applies to Atlantic City, Paterson, and Trenton – allows these three municipalities to opt into the GSGZ benefits if it had not previously done so in 2013 or to extend the 20-year timeframe by an additional 10 years.

- Research into the legislative history of GSGZ municipalities indicates that only Atlantic City, out of the qualifying municipalities, did not meet the requirement of passing a resolution within 90 days of enactment of "The New Jersey Economic Opportunity Act of 2013" to establish the city as eligible for the property valuation exemption benefits of a GSGZ. This bill would newly allow Atlantic City to establish the city as such, for a period of 30 years, and allow the other "government-restricted municipalities" (Paterson and Trenton) to extend their current 20-year benefit period for an additional 10 years.

- As per existing law, a Garden State Growth Zone Development Entity within a GSGZ is limited to a profit of 12 percent or less on their redevelopment investment.

- The OLS is unable to specifically quantify the reduction in property tax revenues for these municipalities, and the impact to the State, due to imperfect information on the number and attributes of creditable GSGZ projects.

BILL DESCRIPTION

This bill would modify the Garden State Growth Zone property tax exemption program. Under current law, a Garden State Growth Zone Development Entity may redevelop property within a GSGZ and be granted a 20-year property tax exemption on improvements to the redeveloped property if the applicable GSGZ municipality opted into the program within 90 calendar days of the enactment of P.L.2013, c.161. Under current law, this property tax exemption is dependent upon:

(1) the owner of the property making improvements to the property after the date of enactment of P.L.2013, c.161; and

(2) the issuance of a final certificate of occupancy within 10 years of the date of enactment of P.L.2013, c.161.

The bill would enable certain municipalities to newly opt into the GSGZ property tax exemption program within 90 days of this bill's effective date. The bill would amend the definition of the term "Garden State Growth Zone" to include a "government-restricted municipality." The bill defines "government-restricted municipality" as a New Jersey municipality:

(1) with a Municipal Revitalization Index distress score of at least 75;

(2) which met the criteria for designation as an urban aid municipality in the 2019 State fiscal year; and

(3) which, on the bill's effective date, is either:

(a) subject to financial restrictions imposed pursuant to the "Municipal Stabilization and Recovery Act," P.L.2016, c.4, or

(b) restricted in its ability to levy property taxes on property in that municipality as a result of:

(i) the State of New Jersey owning or controlling property representing at least 25 percent of the total land area of the municipality, or

(ii) the federal government of the United States owning or controlling at least 50 acres of the total land area of the municipality, which land area is dedicated as a national natural landmark.

Under the bill, a "government-restricted municipality" that did not opt into the GSGZ exemption program within 90 calendar days of the enactment of P.L.2013, c.161 may, by ordinance, opt into the program within 90 calendar days of the enactment of this bill. An exemption under this provision would be granted on improvements made to the property for a period of 30 years from receiving a final certificate of occupancy. The exemption would apply to property improvements made after the enactment of P.L.2013, c.161 and which are issued a final certificate of occupancy within 15 years of the date of enactment of P.L.2013, c.161, a period ending in September 2028.

Additionally, the bill authorizes the municipal assessor of a government-restricted municipality to extend the prior-existing 20-year exemption period to a period of 30 years. This extension would be allowed if the government-restricted municipality had opted into the program within 90 calendar days of the enactment of P.L.2013, c.161, and a final certificate of occupancy is issued within 15 years of the date of enactment of P.L.2013, c.161, a period ending in September 2028.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

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Theoretically, any government tax expenditure that provides economic redevelopment incentives has the potential to inject new spending into the economy. Once businesses and individuals save money they would not have saved absent property valuation exemptions, a portion of those savings may newly circulate in New Jersey’s economy and produce so-called “multiplier effects.” As additional financial resources flow through the economy, they generate, as a byproduct, additional State and local revenue collections. This can lead to an indeterminate impact on State finances, but the OLS believes the overall net impact to the municipalities affected is a decrease in local revenues.

Section: *Local Government*

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

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