

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 5683

STATE OF NEW JERSEY

DATED: JUNE 16, 2021

The Assembly Appropriations Committee reports favorably Assembly Bill No. 5683.

This bill would modify the Garden State Growth Zone (GSGZ) 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 (C.52:27D-489p et al.). 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 (C.52:27BBBB-1 et seq.), 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 (C.52:27D-489p et al.) 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 (C.52:27D-489p et al.) and which were issued a final certificate of occupancy within 15 years of the date of enactment of P.L.2013, c.161 (C.52:27D-489p et al.).

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 (C.52:27D-489p et al.), and a final certificate of occupancy is issued within 15 years of the date of enactment of P.L.2013, c.161 (C.52:27D-489p et al.).

FISCAL IMPACT:

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.