NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

Opening Statement
Assembly Budget Committee/Senate Budget & Appropriations Committee
May 6 & 19, 2015

Chairman Sarlo/Schaer, members of the Budget Committee…the New Jersey Economic Development Authority (EDA) appreciates the opportunity to testify today on our efforts to grow New Jersey's economy.

Along with our President and Chief Operating Officer Tim Lizura, who is here with me today, we would like to thank the Governor and the Legislature for providing the EDA with enhanced economic development tools that have strengthened our ability to advance transformational projects in communities across the state and ensure we are able to compete in the ever-growing global marketplace.

As the agency charged with administering these incentive programs, I am proud of the diverse range of projects and businesses we have been able to support, and equally proud that the EDA manages these programs with the highest level of due diligence and transparency, and in strict compliance with the statutes you have advanced.

In that regard, we recently launched a refreshed website, which includes enhanced incentive activity reports. Among the new additions to these reports is a status update for each project, the amounts paid out to date for relevant projects, and the related job creation and/or private investment data, based on certification.

When additional projects certify and tax credits are issued, the relevant data will also become publicly available on our website as part of these reports.

Two years ago, with your support in the Legislature, the Governor signed into law the New Jersey Economic Opportunity Act of 2013. The Act streamlined New Jersey's then five existing economic development incentive programs into two: the Grow New Jersey Assistance (Grow NJ) Program - the state's main job creation and retention incentive program - and the Economic Redevelopment and Growth (ERG) program which is New Jersey's key developer incentive program.

With the Economic Opportunity Act, you advanced clear public policy goals that place extra emphasis on spurring development and private investment in our distressed communities, while also encouraging economic expansion in industries targeted for growth.

In addition, this Legislature implemented various safeguards through the Act that we view as critical to protecting the public interest. This includes performance-based mechanisms that ensure no financial assistance is provided to a company up-front.

Grow NJ and ERG applications received by the EDA are first evaluated to determine eligibility in accordance with the Act, based on representations made by applicants.

For Grow NJ, this includes a location in a qualified incentive area; meeting or exceeding the employment and capital investment requirements; demonstrating that the award of the tax credit is a "material factor" in the company's location decision; demonstrating that the capital investment and the resultant creation of eligible positions will yield a net positive benefit to the State; certifying (via the CEO) that existing full-time jobs are at risk of leaving the State or being eliminated; and, that the job creation or retention would not occur but for the Grow NJ award.

Specifically under Grow NJ, applicants are required to submit independent CPA certification of actual capital investment and job creation or retention at project completion prior to the issuance of tax credits.

Other performance-based requirements include maintaining the project employment for 1.5 times the period in which the business receives the tax credit; and, maintaining a minimum of 80% of the full-time statewide workforce from the last tax period prior to the approval, as evidenced through annual reporting requirements.

For ERG, eligibility includes a qualified residential or commercial project with a location in a qualified incentive area. Projects must also demonstrate a financing gap, as determined through a rigorous analysis of the sources and uses of funds, construction costs and projected revenues. Commercial ERG projects are subject to the comprehensive net benefit analysis to verify that the revenues the state receives will be greater than the incentive being provided.

Under ERG, applicants must submit satisfactory evidence of actual project costs, as certified by a CPA, and project completion prior to the disbursement of any funds.

While the Board's approval of an application represents the opportunity for a project to realize tax credits, companies and developers must certify that they have satisfied the specific legislative requirements before they receive any funds.

In short, approved projects must first generate new tax revenue, complete capital investments, and/or hire or retain employees prior to the receipt of any approved benefit.

With the legislative enhancements to these programs through the Economic Opportunity Act, the EDA has seen a significant boost in activity.

In total, EDA has approved 100 active Grow NJ projects since we began accepting applications under the Economic Opportunity Act in December 2013. These projects represent over 12 million square feet of new or improved space, the estimated private investment of $1.5 billion in New Jersey's economy, the creation of 12,480 new permanent jobs and 4,100 construction jobs, and the retention of 13,830 jobs that are certified as at risk of leaving the state.

Of these projects, 68% are in one of the defined targeted industries; notably, over 34% are companies in the manufacturing sector.

Additionally, more than 83% of approved tax credits support projects in a targeted community, which includes those defined as "Distressed Municipalities," "Urban Transit Hub Municipalities," and "Garden State Growth Zones."

Consistent with the policy objectives of the statute, tax credits for projects not located in these communities are limited to no more than 90% of the employer withholding taxes of the business each year. So while C&A Marketing, for example, was approved for an annual award of up to $541,746, its proposed location in Edison will cap the award each year at 90% of its actual withholdings, which is projected to be $335,801.

As the state's key developer incentive program, the enhanced ERG Program was designed to revitalize communities, with a specific focus on stimulating significant economic development in New Jersey's urban centers.

From a major mixed-used development project in Glassboro that will help to foster the intersection of higher education and industry, to projects in Camden, Trenton and Newark that will transform vacant and blighted properties into new residential developments, ERG is helping to support commercial and residential projects that will rejuvenate communities and improve the quality of life for residents.

While the Act does not include an employment requirement for ERG, we're pleased that the 23 projects approved to date involve the creation of an estimated 5,000 new permanent jobs and 8,300 construction jobs, in addition to the injection of an estimated $2.1 billion of private investment in communities across the state.

With the exception of one Grow NJ project approved under the Act which has certified its completion, these approved projects are in varying degrees of pre-construction and construction activity.

Another example is the Burlington Coat Factory project. Supported through the legacy Grow NJ program, this company received a tax credit of $4 million in Fiscal Year 2015 related to the construction of its new headquarters in Florence. Under the legacy program, a business was eligible for a tax credit if it created or retained at least 100 jobs and invested a minimum of $20 million. To receive its annual tax credit, the company certified it had invested $43.4 million and had 701 jobs at its Florence facility; in order to receive its annual tax credit, the company will need to certify that these jobs are at the Florence facility each and every year.

It is important to note that while the $5 billion that the EDA has approved since 2010 is often cited, a combined total of $63.2 million has actually been paid out under the Urban Transit Hub Tax Credit, ERG and Grow NJ programs since 2010 – roughly one percent of the amount approved.

As certified, this $63.2 million has leveraged the actual private investment of $732.3 million and the creation of more than 1,920 actual new permanent jobs. It is worth noting that of the 10 projects that have received tax credits to date, five do not have job creation requirements, per statute, as two are residential projects approved under the Hub Program and three are legacy ERG projects.

For example, the vast mixed-use Transit Village project in New Brunswick, which received an annual tax credit of $7.6 million in FY2013, FY2014 and FY2015, has certified the actual private investment of $220.2 million. The project was approved for tax credits under the Urban Transit Hub Tax Credit Program in 2010, and per statute, does not have related job requirements; however, we are pleased to share that the New Brunswick Development Corporation reported that the project generated thousands of construction jobs and hundreds of new permanent positions.

I would be remiss if I did not also mention the Business Employment Incentive Program (BEIP). As you know, BEIP was the state's key job creation incentive program from its inception in 1996 through 2013 when the Economic Opportunity Act was signed into law.

The Governor has recommended legislation to permit the voluntary conversion of outstanding BEIP grant commitments into refundable tax credits. We believe this will insulate the State's timely fulfillment of its important contractual commitment to businesses that agreed to relocate or stay in New Jersey under the BEIP program from the vagaries of the annual appropriations process.

Although details are still being worked on, the general concept is to make the tax credits available to electing businesses in equal installments over a period linked to their converted BEIP grant agreement's remaining term and compliance period. In addition, we also are proposing a structure that limits the fiscal impact on the State in any one year. Businesses that choose not to convert would of course continue to qualify for BEIP grants subject to appropriation.

While the incentive programs tend to get the most attention, the EDA continues to remain focused on supporting New Jersey's robust small business community.

Through our collaboration with banks and other local, state and federal partners, we have been able to increase access to capital for small businesses that want to rebuild, maintain or expand their operations in New Jersey.

From a small printing company in Fairfield to a landmark restaurant in Hammonton, hundreds of small businesses across the state took advantage of low-cost lending and recovery programs offered by the EDA last year; in particular, we're proud to have disbursed over $47million to more than 1,000 storm-impacted small businesses through the Stronger NJ Business Grant program to date.

The EDA also remained committed to growing New Jersey's technology industry in 2014, advancing several new initiatives that allow us to expand our support of companies at every stage of growth.

One of the most exciting additions to our portfolio was the creation of New Jersey Founders & Funders. During events at the EDA's Commercialization Center for Innovative Technologies (CCIT) last June and September, more than 60 entrepreneurs and start ups participated in a "speed dating" match up with investors, paving the way for these emerging companies to attain the funding they need to grow in the state.

Tapping into New Jersey's broad pool of talented life sciences professionals, we also recently announced the appointment of an inaugural group of six highly-qualified professionals to our new Executive-in-Residence program.

Designed for life sciences executives in transition, the selected professionals will mentor and coach emerging growth companies at CCIT, which is the state's leading life sciences incubator. We are confident that this program will provide promising companies with access to information and insight that is critical to any company looking to grow and thrive in New Jersey.

As we move ahead in 2015, we will continue our efforts to spur job creation and private investment, and help to ensure the recovery, rebuilding and resiliency of our businesses and communities.

Thank you for the opportunity to testify today. I am happy to answer any questions you may have.