ASSEMBLY COMMERCE, ECONOMIC DEVELOPMENT AND AGRICULTURE COMMITTEE

STATEMENT TO

ASSEMBLY, No. 4300

STATE OF NEW JERSEY

DATED: MAY 13, 2024

The Assembly Commerce, Economic Development and Agriculture Committee reports favorably Assembly Bill No. 4300.

This bill provides various changes to the New Jersey Aspire Program (Aspire Program), which is administered by the New Jersey Economic Development Authority (EDA) and was enacted as part of the "New Jersey Economic Recovery Act of 2020," P.L.2020, c.156 (C.34:1B-269 et al.).

Under the Aspire Program, the EDA awards tax credits to the developers of certain redevelopment projects, which projects would not be economically feasible absent such subsidies, and which projects meet certain other requirements. In turn, these developers are required to comply with certain additional requirements concerning the development of these projects, including, but not limited to, the dedication of affordable housing in new residential projects.

Government-restricted municipalities

The bill revises the definition of "government-restricted municipality" to expand municipal eligibility to the municipalities of Newark, East Orange, Union City, Elizabeth, New Brunswick, Camden, Vineland, Bridgeton, and Lakewood, in addition to Paterson, Trenton, and Atlantic City.

Net benefits analysis and final award certification

A developer of a redevelopment project applying for an award of tax credits from the EDA is required to demonstrate that providing public assistance to the project will result in a net positive benefit to the State. Currently, the EDA requires each applicant to demonstrate a net positive benefit to the State of 160 percent of the credit amount.

Under current law, certain redevelopment projects, including those located within government-restricted municipalities, may be approved at the authority's discretion while having a net positive economic benefit that is as much as 35 percent less than the standard applied to projects in other locations. This bill would extend this allowance to provide that the EDA may approve projects located in government-restricted municipalities that demonstrate a net positive benefit to the State of up to 50 percentage points less than the standard requirement.

As a result, these projects could be eligible for approval by demonstrating a net positive benefit that is 110 percent of the credit amount.

The bill also removes a provision of law that requires the EDA to reduce the overall award of tax credits to a redevelopment project if it is determined, at the time of project certification, that the actual project financing gap is less than the amount initially approved by the EDA.

Option of prevailing wages or a project labor agreement

This bill revises the definition of the term “project cost,” for the purposes of the program, to provide that an additional amount, not to exceed 20 percent of the total project cost for costs not directly related to construction, may only be included with respect to the cost of infrastructure improvements. The bill also provides that, for purposes of the definition of “project cost,” capitalized interest paid to third parties is deemed to be costs directly related to construction.

The bill also amends the definition of “project cost” to include the funding of a debt service reserve fund.

Utility authorities and connection fees for redevelopment projects

Under current law, county, regional, and municipal utility authorities are required to provide reductions in connection fees for new connections to the water system and sewerage system for certain projects, including public housing authorities, non-profit organizations building affordable housing projects, and any other affordable housing projects. The bill extends this provision of law to require county, regional, and municipal utility authorities to provide the same reductions in connection fees for the developers of redevelopment projects under the Aspire Program.

Phased tax abatement for redevelopment projects

The bill also provides for tax exemptions on the improvements from redevelopment projects. Under the bill, for the first five years after a project receives a permanent certificate of occupancy, no tax would be imposed on the improvements on the property. However, the land on which the project is located would continue to be taxed during the first five years. Following the initial five-year period, the developer would be required to enter into an agreement to pay annual payments in lieu of taxation to the municipality for an additional five-year period. Over the course of this five-year period, the payments by the developer of the project shall increase by 20 percent annually.