

SENATE, No. 1715

STATE OF NEW JERSEY

217th LEGISLATURE

INTRODUCED FEBRUARY 29, 2016

Sponsored by:

Senator STEPHEN M. SWEENEY

District 3 (Cumberland, Gloucester and Salem)

SYNOPSIS

Concerns taxation of casino gaming property; redirects investment alternative tax proceeds; abolishes Atlantic City Alliance.

CURRENT VERSION OF TEXT

As introduced.



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2

1 AN ACT concerning the stabilization of the finances of a
2 municipality in which casino gaming is authorized, amending
3 R.S.54:5-6 and P.L.2011, c.18, and supplementing Title 52 of the
4 Revised Statutes.

5

6 **BE IT ENACTED** by the Senate and General Assembly of the State
7 of New Jersey:

8

9 1. (New section) Sections 1 through 7 and section 9 of P.L. ,
10 c. (C.) (pending before the Legislature as this bill) shall be
11 known and may be referred to as the “Casino Property Tax
12 Stabilization Act.”

13

14 2. (New section) The Legislature finds and declares that:

15 a. In 1976, the voters of the State approved an amendment to
16 the New Jersey Constitution (Article IV, Section VII, paragraph 2,
17 subparagraph D), which authorized casino gaming in Atlantic City.

18 b. For over 30 years, casinos grew and profited in the City of
19 Atlantic City, until competition from other states in our region,
20 particularly Pennsylvania, siphoned off much of the out-of-State
21 and foreign gamblers who had frequented Atlantic City casinos for
22 many years.

23 c. The regional competition in casino gaming has had a
24 deleterious effect on Atlantic City in several ways, including: an
25 increase in unemployment due to the recent closing of four casino
26 properties, representing fully one-third of the number of casinos
27 operating in Atlantic City in 2013; a strain on Atlantic City’s
28 municipal budget due to property tax refunds required by successful
29 assessment appeals of casino gaming properties; and an increased
30 property tax burden on Atlantic City and Atlantic County residents
31 based on the decreasing value of casino gaming properties.

32 d. In the “New Jersey Economic Opportunity Act of 2013,”
33 P.L. 2013, c.161 (C.52:27D-489a et al.), the four New Jersey cities
34 with the lowest median family income based on the 2009 American
35 Community Survey from the United States Census, (Table 708.
36 Household, Family, and Per Capita Income and Individuals, and
37 Families Below Poverty Level by City: 2009) were designated as
38 Garden State Growth Zones and were declared blighted areas and
39 areas in need of rehabilitation; provided, however, that the
40 declaration alone could not be used to allow any property to be
41 taken or acquired.

42 e. The Legislature has previously recognized the extraordinary
43 situation in Atlantic City, by designating a municipality which
44 contains a tourism district as established pursuant to section 5 of
45 P.L.2011, c.18 (C.5:12-219) and regulated by the Casino

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 Reinvestment Development Authority as a Garden State Growth
2 Zone for purposes of incentive programs administered by the New
3 Jersey Economic Development Authority in P.L.2014, c.63
4 (C.34:1B-251 et al.).

5 f. Consistent with the Legislature's acts with respect to the
6 other Garden State Growth Zones, a municipality which contains a
7 tourism district as established pursuant to section 5 of P.L.2011,
8 c.18 (C.5:12-219) and is regulated by the Casino Reinvestment
9 Development Authority is hereby declared a blighted area and area
10 in need of redevelopment; provided, however, that this declaration
11 alone shall not be used to allow any property to be taken or
12 acquired.

13 g. The accurate assessment of casino gaming properties is
14 especially difficult because they are unique properties and their
15 year-to-year value is greatly influenced by the performance of
16 casino gaming properties in other nearby states and by extreme
17 weather events like Super Storm Sandy.

18 h. It is appropriate for the Legislature to address the
19 extraordinary situation in Atlantic City by devising a program that
20 avoids costly assessment appeals for both the casino operators and
21 Atlantic City, and that provides a certain mandatory minimum
22 property-tax related payment by casino properties that Atlantic City
23 can rely upon each year.

24 i. Article VIII, Section I, paragraph 2 of the New Jersey
25 Constitution empowers the Legislature to grant property tax
26 exemptions by general law.

27 j. It is constitutional to classify Atlantic City, the only
28 municipality wherein casino gaming is authorized, as a special class
29 unto itself for economic purposes related to casino gaming. Courts
30 have routinely concluded that the Legislature has the ability to
31 address the concerns of Atlantic City and the casino industry
32 separately from other local entities and industries due to the unique
33 role casino gambling plays in Atlantic City and the State. The fact
34 that, even though almost 40 years have passed since the approval of
35 casino gambling in New Jersey, Atlantic City remains the only
36 municipality wherein casino gaming is authorized, proves that its
37 unique classification continues to allow the Legislature to treat it as
38 a special case under State law, and permits changes to the casino
39 "experiment" in Atlantic City.

40 k. Casino gaming properties represent a unique classification of
41 property that can be exempted from normal property taxation by
42 general law, in favor of a certain guaranteed mandatory minimum
43 payment in lieu of property taxes when it is primarily in the public
44 interest to do so.

45 l. In the interest of the revitalization of Atlantic City and the
46 continuation of the casino industry and its associated economic
47 benefits to the State, it is reasonable that the Legislature, in seeking
48 to revitalize the city, should choose to experiment with a payment

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1 in lieu of property tax mechanism to address the issues of persistent
2 property tax appeals and the damage that those appeals, together
3 with declining casino property values, have wrought on the tax
4 bases of both Atlantic City and Atlantic County.

5 m. It is a primary public purpose to grant casino gaming
6 properties an exemption from normal property taxation for a limited
7 period of time, in exchange for a guaranteed mandatory minimum
8 payment in lieu of property taxes, because Atlantic City will be able
9 to depend on a certain level of revenue from casino gaming
10 properties each year, making the local property tax rate and need for
11 State aid less volatile; casino revenue supports many social
12 programs, such as property tax relief for seniors, medical assistance,
13 housing for disabled residents, transportation assistance, and other
14 social services programs for elderly and disabled New Jerseyans;
15 casinos provide a unique recreational experience to the residents of
16 New Jersey within the State; and because, with a long-term
17 predictable payment in lieu of property tax liability, casino gaming
18 properties will know how much of their income will be required to
19 pay their obligation to Atlantic City, Atlantic County, and the
20 Atlantic City School District. This ability to depend on a stable
21 payment in lieu of property tax obligation will in turn help to
22 stabilize the casino business models and the workforce required to
23 run those business models, and the casino gaming properties will be
24 better able to compete with out-of-State casino gaming properties in
25 the region to preserve, and perhaps grow, the many benefits that
26 casino gaming has brought to the State, and more particularly, to
27 the Atlantic City region.

28 n. It is also a primary public purpose to stabilize the casino
29 industry for the benefit of the casino employee workforce, many of
30 whom have worked in the casinos since the first casino opened over
31 30 years ago. It is anticipated that the financial stability granted to
32 the casino gaming properties by a guaranteed mandatory minimum
33 payment in lieu of property taxes for a 10-year period will greatly
34 enhance the ability of the casino gaming properties to adapt their
35 business models to the changes in the regional casino gaming
36 market, which will in turn allow them to remain open for business
37 and to pay their employees good wages and benefits, including
38 health care and pension benefits, for many years to come.

39 o. This plan to provide a guaranteed minimum in lieu of
40 property tax payment for 10 years, and ending casino property tax
41 appeal litigation would provide some economic stabilization to
42 Atlantic City and allow it time to plan for its future, which it cannot
43 do if it descends further into an economic free-fall.

44 p. The public purpose of a property tax exemption and payment in
45 lieu of property tax program for casino gaming properties seems
46 evident without examining the specific local, regional, and Statewide
47 economic benefits of the continued success of the casino industry and
48 the general economic viability of Atlantic City. Arguably, the local,

1 regional, and State economies could be bolstered by such a property
2 tax exemption and, thus, be seen by a court as a primary public
3 purpose furthered by the legislation. The exemption of casino
4 property from property taxation is a proper exercise of the
5 Legislature’s power to grant property tax exemptions by general law,
6 since Atlantic City casinos are a unique classification which does not
7 exclude any similar properties in the State. Such an exemption
8 primarily furthers several public purposes, while providing an
9 incidental benefit to casino properties.

10 q. The Legislature intends to request in the budget process that
11 \$10,000,000 is appropriated for economic development projects in
12 Atlantic City and that \$8,000,000 is appropriated for funding for the
13 promotion, marketing, and advertising of the City of Atlantic City.
14 Any amount so appropriated to Atlantic City shall not impact, reduce,
15 or otherwise affect the amount appropriated for Transitional Aid to
16 Localities.

17

18 3. (New section) a. As used in P.L. , c. (C.)
19 (pending before the Legislature as this bill):

20 “Atlantic City” means the City of Atlantic City, in Atlantic
21 County;

22 “Base amount” means the amount of the payment in lieu of taxes
23 as determined by subparagraph iv of paragraph (3) of subsection c.
24 of this section;

25 “Casino gaming property” means one or more parcels of real
26 property located in Atlantic City, and any adjacent property utilized
27 in connection with such property, upon which there is located a
28 facility licensed to be used for casino gaming in 2014 or thereafter,
29 whether or not in actual operation, which has more than 500 guest
30 hotel rooms, and is not subject to recorded covenants prohibiting
31 casino gaming;

32 “Division” means the Division of Gaming Enforcement in the
33 Department of Law and Public Safety;

34 “Gross gaming revenue” (GGR) means the total amount of
35 revenue raised through casino gaming from all of the casino gaming
36 properties located in Atlantic City as determined by the division;

37 ”Local Finance Board” means the Local Finance Board in the
38 Division of Local Government Services in the Department of
39 Community Affairs; and

40 “Treasury” means the Department of the Treasury.

41 b. Beginning with calendar year 2016, and for the next
42 succeeding nine calendar years, casino gaming properties located in
43 Atlantic City shall be exempt from local property taxation on real
44 property and improvements, including accessory hotels, conference
45 centers, parking garages, and other appurtenant facilities, except
46 that any new improvement developed on a casino gaming property
47 that is made outside of the perimeter footprint of any improvement
48 existing as of the effective date of this bill and any real property,

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1 not formerly qualified as casino gaming property shall not be
2 exempt from local property taxation in any calendar year and shall
3 be subject to local property taxation annually at Atlantic City's
4 general property tax rate. The provisions of this section shall not
5 apply to any casino property that operates under a small scale
6 casino facility license or a staged casino facility license pursuant to
7 section 1 of P.L.2010, c.115 (C.5:12-80.1).

8 c. (1) In exchange for the property tax exemption granted in
9 subsection b. of this section, each owner of each casino gaming
10 property shall sign a 10-year financial agreement with the City of
11 Atlantic City for each casino gaming property promising to make
12 quarterly payments to the city of its allocated portion of the annual
13 amount of the payment in lieu of taxes as determined by this
14 section. The owner of each casino gaming property shall be
15 responsible for the payments allocated to that property and shall be
16 subject to the lien provisions of R.S.54:5-6 if those payments are
17 not made.

18 (2) Any new owner of a casino gaming property following the
19 effective date of P.L. , c. (C.) (pending before the
20 Legislature as this bill) shall immediately become responsible for
21 signing a financial agreement with the City of Atlantic City
22 promising to make payments consistent with this section.

23 (3) (i) The total amount of the payment in lieu of property taxes
24 owed to Atlantic City for calendar year 2016 shall be \$120 million.
25 To the extent that any owner of a casino gaming property has paid
26 property taxes for calendar year 2016 prior to the effective date of
27 P.L. , c. (C.) (pending before the Legislature as this bill), the
28 amount of property taxes so paid shall be credited toward that
29 owner's allocated share of the \$120 million total payment in lieu of
30 property taxes.

31 (ii) For calendar year 2017 and for each calendar year thereafter,
32 the amount of the payment in lieu of property taxes owed to
33 Atlantic City shall increase by two percent per year in every year in
34 which there is no upward adjustment to the base amount of the
35 payment in lieu of taxes from the previous calendar year as
36 determined by subparagraph (iv) of this paragraph.

37 (iii) For calendar year 2017 and for each calendar year thereafter,
38 the total amount of the payment in lieu of property taxes owed to
39 Atlantic City shall be the base amount as determined by
40 subparagraph (iv) of this paragraph and the total amount of the
41 annual increases to date as determined by subparagraph (ii) of this
42 paragraph.

43 (iv) Subject to section 6 of P.L. , c. (C.) (pending before
44 the Legislature as this bill), for calendar year 2017 and for each
45 calendar year thereafter, the base amount of the payment in lieu of
46 taxes shall be determined as follows:

47 If the amount of the GGR in the preceding calendar year is
48 between \$3.4 billion and \$3.8 billion, the base amount shall be \$165

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1 million, or in the case of an upward adjustment, \$15 million more
2 than the PILOT in the previous year, whichever is greater;

3 If the amount of the GGR in the preceding calendar year is
4 between \$3.0 billion and \$3.4 billion, the base amount shall be \$150
5 million, or in the case of an upward adjustment, \$20 million more
6 than the PILOT in the previous year, whichever is greater;

7 If the amount of the GGR in the preceding calendar year is
8 between \$2.6 billion and \$3.0 billion, the base amount shall be \$130
9 million, or in the case of an upward adjustment, \$10 million more
10 than the PILOT in the previous year, whichever is greater;

11 If the amount of the GGR in the preceding calendar year is
12 between \$2.2 billion and \$2.6 billion, the base amount shall be \$120
13 million, or in the case of an upward adjustment, \$10 million more
14 than the PILOT in the previous year, whichever is greater;

15 If the amount of the GGR in the preceding calendar year is
16 between \$1.8 billion and \$2.2 billion and the aggregate gross
17 revenues from all of the casino gaming properties located in
18 Atlantic City from all revenue streams, excluding GGR, have not
19 increased compared to the prior calendar year by more than the
20 amount by which GGR is less than \$2.2 billion, as determined by
21 the division, the base amount shall be \$110 million, or in the case of
22 an upward adjustment, \$20 million more than the PILOT in the
23 previous year, whichever is greater;

24 If the amount of the GGR in the preceding calendar year is \$1.8
25 billion or less and the aggregate gross revenue from all of the casino
26 gaming properties located in Atlantic City from all revenue streams,
27 excluding GGR have not increased compared to the prior calendar
28 year by more than the amount by which GGR is less than \$1.8
29 billion as determined by the division, the base amount shall be \$90
30 million.

31 (4) The amount of the payment in lieu of property taxes owed
32 pursuant to this subsection shall be calculated annually each
33 calendar year for each casino gaming property using a formula
34 implemented by the Local Finance Board, in consultation with the
35 division, using the following criteria:

36 The geographic footprint of the real property, expressed in acres,
37 owned by each casino gaming property;

38 The number of hotel guest rooms in each casino gaming
39 property; and

40 The gross gaming revenue of the casino in each casino gaming
41 property from the prior calendar year.

42 Each of these three criteria shall bear equal weight in the formula
43 implemented by the Local Finance Board, in consultation with the
44 division, pursuant to this paragraph, provided that during calendar
45 years 2016, 2017, 2018, 2019, and 2020, if the formula results in
46 any individual casino gaming property being allocated an amount
47 that is in excess of the total real property taxes due and payable by
48 the casino gaming property in calendar year 2015, then that casino

1 gaming property shall receive a credit against the obligation of the
2 operator of that property under paragraph (2) of subsection a. of
3 section 3 of P.L.1984, c.218 (C.5:12-144.1) in the amount of such
4 excess. If, after that credit against the obligation of the operator of
5 that property under paragraph (2) of subsection a. of section 3 of
6 P.L.1984, c.218 (C.5:12-144.1), that casino gaming property would
7 still be liable for a payment in lieu of property taxes in excess of the
8 total real property taxes due and payable by the casino gaming
9 property in calendar year 2015, the casino gaming property shall not
10 be required to make any additional payment in lieu of property tax
11 payment. Instead, any additional amount that would have been
12 owed by that casino gaming property shall be added, by
13 proportional share, to the payment in lieu of property taxes to be
14 paid by every other casino gaming property in order to provide
15 Atlantic City the total amount of the payment in lieu of property
16 taxes due and owing for that calendar year.

17 d. When a new casino gaming property is added or when an
18 existing casino gaming property no longer qualifies as a casino
19 gaming property as defined in subsection a. of section 3 of P.L. ,
20 c. (C.) (pending before the Legislature as this bill), Atlantic
21 City's financial agreement with each owner of each casino gaming
22 property shall be amended to reflect the change and the allocation
23 of the payment in lieu of property taxes between the casino gaming
24 properties.

25 e. The provisions of R.S.54:5-6 shall apply to any amount
26 required to be paid under section 3 of P.L. , c. (C.)
27 (pending before the Legislature as this bill), and the municipality
28 shall have the same rights against any casino gaming property for
29 such unpaid amounts relating to that property as if such amounts
30 were unpaid property taxes.

31

32 4. (New section) a. In addition to the amounts required to be
33 remitted under section 3 of P.L. , c. (C.) (pending before
34 the Legislature as this bill), the owner of each casino gaming
35 property shall make a separate payment to the State in calendar
36 years 2015, 2016 2017, 2018, 2019, 2020, 2021, 2022, and 2023,
37 where the aggregate amount of these payments paid by the casino
38 gaming properties shall equal the following: (1) \$30,000,000 for
39 calendar year 2015, (2) \$30,000,000 for calendar year 2016; (3)
40 \$15,000,000 for calendar year 2017; (4) \$10,000,000 for calendar
41 year 2018, (5) \$5,000,000 for calendar year 2019; (6) \$5,000,000
42 for calendar year 2020; (7) \$5,000,000 for calendar year 2021; (8)
43 \$5,000,000 for calendar year 2022; and (9) \$5,000,000 for calendar
44 year 2023.

45 b. The Local Finance Board, in consultation with the division,
46 shall determine the amount owed for each casino gaming property
47 based on the proportion of gross gaming revenue of the casino in
48 casino gaming property in the prior year. The owner of each casino

1 gaming property where a casino is operated during the year in which
2 the payments required by this section are due shall remit its payment to
3 the State. The Local Finance Board shall provide the owner of each
4 casino gaming property required to make a payment under this section
5 with written notice of the amount of the payment for each casino
6 gaming property, and instructions for how each payment shall be
7 made. Each owner of a casino gaming property required to make a
8 payment under this section shall remit its payment within five business
9 days of receipt of the written notice from the Local Finance Board.

10 c. The funds comprised of the payments collected under this
11 section shall be remitted from the State to the City of Atlantic City
12 upon approval of the Local Finance Board, at the board's discretion, of
13 a financial plan submitted by the City of Atlantic City. The financial
14 plan shall, at a minimum, set forth specific actions that the City of
15 Atlantic City shall take to improve its financial condition and address
16 its fiscal imbalance. The Local Finance Board, at its discretion, may
17 require that the City of Atlantic City take steps to implement the
18 financial plan before releasing the funds comprised of the payments to
19 the City of Atlantic City.

20

21 5. (New section) Annually, a portion of the payment in lieu of
22 property tax moneys collected pursuant to section 3 of P.L. , c.
23 (C.) (pending before the Legislature as this bill) shall be
24 remitted to the county and the school district for their own
25 purposes. These moneys shall be remitted to the county and to the
26 school district in the same manner as property taxes are paid to
27 counties and school districts pursuant to R.S.54:4-74, R.S.54:4-75,
28 and R.S.54:4-76, except that the Local Finance Board may, in its
29 discretion, apportion a specific percentage of the payment in lieu of
30 property tax moneys to be remitted to the county.

31

32 6. (New section) a. On January 1, 2026, there shall be
33 established the Atlantic City Review Commission, to review and
34 determine the efficacy of the payment in lieu of property tax
35 program established by P.L. c. , (C.) (pending before
36 the Legislature as this bill). Specifically, the commission shall
37 determine: the economic vitality and viability of Atlantic City's
38 casinos; the economic vitality and viability of Atlantic City
39 government; the effect of the payment in lieu of property tax
40 program on the economic viability of the casinos, and on Atlantic
41 City's ability to fund its own government and to provide services to
42 the residents of Atlantic City; and the feasibility of continuing the
43 payment in lieu of property tax program for an additional period of
44 time.

45 b. The commission shall consist of seven members:

46 A member of the public, appointed by the Governor, who shall
47 be the Chairperson of the Commission;

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1 The Commissioner of Community Affairs, or the commissioner's
2 designee;

3 The Atlantic City Mayor or the mayor's designee;

4 The Atlantic County Executive, or the county executive's
5 designee;

6 A representative of the casino industry, appointed by the
7 Governor;

8 A representative of a casino employees' union, appointed by the
9 Governor upon the recommendation of the President of the Senate;
10 and

11 A representative of the business community of Atlantic City,
12 appointed by the Governor upon recommendation of the Speaker of
13 the General Assembly. This member shall be a resident of Atlantic
14 City and shall not be an executive or an employee of any of the
15 casinos in Atlantic City. This member shall be appointed from, and
16 shall represent on the commission, the interests of the non-gaming
17 business interests in the city.

18 c. The commission shall issue its findings and
19 recommendations in writing not later than July 1, 2024 to the
20 Governor, the President of the Senate, and the Speaker of the
21 General Assembly pursuant to section 2 of P.L.1991, c.164
22 (C.52:14-19.1). The commission shall expire on the 30th day next
23 following the issuance of those findings and recommendations.
24

25 7. (New section) The State of New Jersey shall have a first
26 priority lien on all payments made under P.L. , c. (C.)
27 (pending before the Legislature as this bill) to secure repayment of
28 any amounts outstanding, at the time of the payment, on any loans
29 made to the city of Atlantic City by the State of New Jersey,
30 including any office, department, division, bureau, board,
31 commission or agency of the State, including without limitation
32 loans made pursuant to the "Supplemental Municipal Property Tax
33 Relief Act," P.L.1991, c.63 (C.52:27D-118.32 et seq.), or any aid
34 provided by the State of New Jersey, including any office,
35 department, division, bureau, board, commission or agency of the
36 State, to Atlantic City requiring repayment. Atlantic City shall
37 utilize amounts received under P.L. , c. (C.) (pending before
38 the Legislature as this bill) to first repay the State of New Jersey for
39 any such outstanding loan or aid amounts.
40

41 8. R.S.54:5-6 is amended to read as follows:

42 54:5-6. Taxes on lands and payments in lieu of property taxes
43 pursuant to section 3 of P.L. , c. (C.) (pending before the
44 Legislature as this bill), shall be a continuous lien on the land on
45 which they are assessed and all subsequent taxes, or payments in
46 lieu of property taxes pursuant to section 3 of P.L. , c. (C.)
47 (pending before the Legislature as this bill), as appropriate, interest,

1 penalties and costs of collection which thereafter fall due or accrue
2 shall be added to and be a part of such initial lien.

3 (cf: P.L.1994, c.32, s.5)

4

5 9. (New section) Notwithstanding the provisions of section 3
6 of P.L.1984, c.218 (C.5:12-144.1) or any other law to the contrary,
7 including subsection k. of section 5 of P.L.2011, c.18 (C.5:12-219),
8 the moneys received by the State Treasurer derived from the
9 payment of the investment alternative tax in the amount specified in
10 paragraph (2) of subsection a. of section 3 of P.L.1984, c.218
11 (C.5:12-144.1) and the investment alternative in the amount as
12 specified in section 17 of P.L.2013, c.27 (C.5:12-95.19), except for
13 any amount thereof pledged for the payment of bonds issued by the
14 Casino Reinvestment Development Authority or otherwise
15 contractually obligated by the authority prior to the effective date of
16 P.L. , c. (C.) (pending before the Legislature as this bill),
17 shall be allocated to the city of Atlantic City for the purposes of
18 paying debt service on bonds issued by Atlantic City prior to the
19 effective date of P.L. , c. (C.) (pending before the
20 Legislature as this bill).

21

22 10. (New section) Notwithstanding any law, rule, or regulation
23 to the contrary, all monies allocated pursuant to section 9 of P.L. ,
24 c. (C.) (pending before the Legislature as this bill) shall be
25 considered "funds appropriated as State aid and not otherwise
26 dedicated to specific municipal programs so payable to such
27 municipality that are withheld or are required to be withheld by the
28 State Treasurer under P.L.1976, c.38 (C.40A:3-1 et seq.) as set forth
29 in the "Municipal Qualified Bond Act," P.L.1976, c.38 (C.40A:3-1
30 et seq.).

31

32 11. Section 1 of P.L.2011, c.18 (C.5:12-218) is amended to read
33 as follows:

34 1. As used in P.L.2011, c.18 (C.5:12-218 et al.):

35 "Atlantic City" or "city" means the City of Atlantic City, Atlantic
36 County.

37 "Atlantic City convention center project" or "convention center
38 project" means the project authorized by paragraph (9) of
39 subsection a. of section 6 of P.L.1971, c.137 (C.5:10-6).

40 "Atlantic City Tourism District" or "tourism district" means the
41 district within Atlantic City established pursuant to section 5 of
42 P.L.2011, c.18 (C.5:12-219).

43 "Authority" means the Casino Reinvestment Development
44 Authority established pursuant to section 5 of P.L.1984, c.218
45 (C.5:12-153).

46 "Convention center authority" means the Atlantic City
47 Convention and Visitors Authority established pursuant to section 3
48 of P.L.1981, c.459 (C.52:27H-31).

1 "Convention Center Division" or "division" means the division
2 created pursuant to paragraph (1) of subsection b. of section 12 of
3 P.L.2011, c.18 (C.5:12-226) to exist within the authority as a
4 division of the authority.

5 **["Corporation" means the not-for-profit corporation with which
6 the authority is to undertake an agreement pursuant to subsection a.
7 of section 7 of P.L.2011, c.18 (C.5:12-221).]**

8 "Development and design guidelines" means the development
9 and design guidelines for site plan applications, which guidelines
10 are to be adopted by the authority pursuant to section 6 of P.L.2011,
11 c.18 (C.5:12-220).

12 "District land use regulations" means the regulations, applicable
13 within the tourism district, that are to be adopted by the authority
14 pursuant to P.L.2011, c.18 (C.5:12-218 et al.).

15 "Gaming" means, in addition to any meaning otherwise provided
16 by law, any legalized form of gambling in New Jersey including,
17 but not limited to, casino gambling and horse racing.

18 "Nonconforming use" means a legal or pre-existing use or
19 activity which fails to conform to the development and design
20 guidelines or land use regulations adopted by the authority pursuant
21 to P.L.2011, c.18 (C.5:12-218 et al.).

22 "Public safety improvements" means the development of
23 infrastructure in the tourism district made for the purpose of
24 increasing safety. Such improvements would include the
25 development of appropriate security technology and the installation
26 of increased lighting in outdoor areas, the installation of
27 surveillance cameras, and the installation of emergency phones and
28 lights throughout the tourism district for use by appropriate security
29 and law enforcement personnel.

30 "Road and highway authority" means any State or local entity,
31 including, but not limited to, Atlantic City or any agency thereof,
32 Atlantic County or any agency thereof, the New Jersey Department
33 of Transportation, and the South Jersey Transportation Authority
34 established under section 4 of P.L.1991, c.252 (C.27:25A-4), or any
35 other State or local entity having jurisdiction over (a) the roads and
36 highways in the tourism district, (b) the roads and highways
37 adjacent to the tourism district, (c) the land area in which the
38 authority is an interested party pursuant to subsection c. of section 6
39 of P.L.2011, c.18 (C.5:12-220), or (d) the portion of the roads and
40 highways in Atlantic City which provide direct access to the
41 tourism district.

42 "Tourism district master plan" or "Master plan," or "plan," means
43 the authority's comprehensive master plan for the redevelopment of
44 the tourism district.

45 "Transfer Date" means, with respect to the assumption by the
46 authority of the powers, duties, assets, and responsibilities of the
47 convention center authority, the date on which (a) the chairs of the
48 authority and the convention center authority certify to the

1 Governor that all of the bonds issued by the convention center
2 authority cease to be outstanding within the meaning of the
3 resolutions pursuant to which the bonds were issued, and (b) the
4 authority assumes all debts and statutory responsibilities of the
5 convention center authority.

6 (cf: P.L.2011, c.18, s.1)
7

8 12. Sections 7 and 9 of P.L.2011, c.18 (C.5:12-221 and C.5:12-
9 223) are repealed.
10

11 13. This act shall take effect immediately, provided, however,
12 that sections 4, 11, and 12 shall be retroactive to January 1, 2015.
13

14
15 STATEMENT
16

17 This bill is intended to address the dire situation that has occurred
18 in Atlantic City with the recent closure of four of the 12 casinos in the
19 city. These closures, coupled with large property tax refunds owed by
20 the city to several of the casinos as the result of successful real
21 property assessment appeals have created fiscal challenges for the city.
22 In addition, Atlantic County's property taxpayers will have to pay
23 more property taxes for county purposes due to the city's declining
24 property values.

25 The purpose of this bill is to provide certainty to the casinos with
26 respect to their financial obligation to Atlantic City, and to provide
27 certainty to Atlantic City about the financial obligation of the casinos
28 to Atlantic City, Atlantic County, and the Atlantic City School
29 District.

30 Under the bill, beginning with calendar year 2016, and for the
31 next succeeding nine calendar years, casino gaming properties
32 located in Atlantic City are exempt from local property taxation on
33 real property and existing improvements, including accessory
34 hotels, conference centers, parking garages, and other appurtenant
35 facilities.

36 The provisions of the bill shall not apply to any casino property
37 that operates under a small scale casino facility license or a staged
38 casino facility license pursuant to section 1 of P.L.2010, c.115
39 (C.5:12-80.1).

40 In exchange for the property tax exemption granted in the bill,
41 each owner of each casino gaming property shall sign a financial
42 agreement with Atlantic City for each casino gaming property
43 promising to make quarterly payments to the city of its allocated
44 portion of an annual payment in lieu of taxes (PILOT). The owner
45 of each casino gaming property shall be responsible for the
46 payments allocated to that property and shall be subject to the lien
47 provisions of R.S.54:5-6 if those payments are not made. Any new
48 owner of a casino gaming property following the effective date of

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14

1 the bill shall immediately become responsible for signing a
2 financial agreement with Atlantic City promising to make payments
3 consistent with the bill.

4 The total PILOT amount for calendar year 2016 is \$120 million.
5 For calendar year 2017 and each calendar year thereafter, the total
6 amount of the PILOT would increase by two percent per year
7 provided that there was no upward adjustment in the base amount of
8 the PILOT. For calendar year 2017 and for each tax year thereafter
9 the base amount of the payment in lieu of taxes, excluding the
10 amount of any annual two percent increase to date, would be
11 determined as follows:

12 If the amount of the gross gaming revenue (GGR) in the
13 preceding calendar year is between \$3.4 billion and \$3.8 billion, the
14 base amount would be \$165 million;

15 If the amount of the GGR in the preceding calendar year is
16 between \$3.0 billion and \$3.4 billion, the base amount would be
17 \$150 million;

18 If the amount of the GGR in the preceding calendar year is
19 between \$2.6 billion and \$3.0 billion, the base amount would be
20 \$130 million;

21 If the amount of the GGR in the preceding calendar year is
22 between \$2.2 billion and \$2.6 billion, the base amount would be
23 \$120 million;

24 If the amount of the GGR in the preceding calendar year is
25 between \$1.8 billion and \$2.2 billion and the aggregate gross
26 revenues from all of the casino gaming properties located in
27 Atlantic City from all revenue streams, excluding GGR, have not
28 increased by more than the percentage by which GGR decreased
29 compared to the prior calendar year, as determined by the Division
30 of Gaming Enforcement, the base amount would be \$110 million;

31 If the amount of the GGR in the preceding calendar year is \$1.8
32 billion or less and the aggregate gross revenue from all of the casino
33 gaming properties located in Atlantic City from all revenue streams,
34 excluding GGR have not increased compared to the prior calendar
35 year by more than the amount by which GGR is less than \$1.8
36 billion as determined by the division, the base amount shall be \$90
37 million.

38 The amount of the payment in lieu of property taxes owed
39 pursuant to the bill would be calculated annually each calendar year
40 for each casino gaming property using a formula implemented by
41 the Local Finance Board, in consultation with the division, using
42 the following criteria:

43 The geographic footprint of the real property, expressed in acres,
44 owned by each casino gaming property;

45 The number of hotel guest rooms in each casino gaming
46 property; and

47 The gross gaming revenue of the casino in each casino gaming
48 property from the prior calendar year.

1 When a new casino gaming property is added or when an
2 existing casino gaming property no longer qualifies as a casino
3 gaming property as defined in subsection a. of section 3 of the bill,
4 Atlantic City's financial agreement with each owner of each casino
5 gaming property would be amended to reflect the change and the
6 allocation of the payment in lieu of property taxes between the
7 casino gaming properties.

8 In addition to the amounts required to be remitted under the bill,
9 the owner of each casino gaming property would be required to
10 make a separate payment to the State in calendar years 2015, 2016
11 2017, 2018, 2019, 2020, 2021, 2022, and 2023, where the aggregate
12 amount of these payments paid by the casino gaming properties
13 shall equal the following: \$30,000,000 for calendar year 2015,
14 \$30,000,000 for calendar year 2016; \$15,000,000 for calendar year
15 2017; \$10,000,000 for calendar year 2018, \$5,000,000 for calendar
16 year 2019; \$5,000,000 for calendar year 2020; \$5,000,000 for
17 calendar year 2021; \$5,000,000 for calendar year 2022; and
18 \$5,000,000 for calendar year 2023. The amount remitted by each
19 owner of a casino gaming property that operates as a casino during
20 the year in which the payment is due would be based on the
21 proportion of gross gaming revenue generated by the casino in each
22 casino gaming property in the prior year.

23 The Local Finance Board, in consultation with the division, would
24 have to determine the amount owed for each casino gaming property
25 based on the proportion of gross gaming revenue of the casino in
26 casino gaming property in the prior year. The owner of each casino
27 gaming property where a casino is operated during the year in which
28 the payments required by this section are due would remit its payment
29 to the State.

30 The funds comprised of the payments collected under the bill
31 would be remitted from the State to the City of Atlantic City upon
32 approval of the Local Finance Board, at the board's discretion, of a
33 financial plan submitted by the City of Atlantic City. The financial
34 plan must, at a minimum, set forth specific actions that the City of
35 Atlantic City shall take to improve its financial condition and address
36 its fiscal imbalance. The Local Finance Board, at its discretion, may
37 require that the City of Atlantic City take steps to implement the
38 financial plan before releasing the funds comprised of the payments to
39 the City of Atlantic City.

40 A portion of the annual payment in lieu of property tax moneys
41 collected would be remitted to Atlantic County and to the school
42 district. The three-year historical average of the county percentage
43 of the total Atlantic City tax rate from 2013 to 2015 is 10.4%. With
44 the expectation that Atlantic County will take on additional
45 responsibility for and on behalf of Atlantic City, it is anticipated
46 that 13.5% of the payment in lieu of property tax moneys collected
47 by Atlantic City will be remitted to Atlantic County.

1 This bill would also require the Department of the Treasury to
2 issue a report to the Governor and the Legislature no later than June
3 30, 2021, which estimates the amount of property taxes that each
4 casino gaming property would have likely paid in each year of the
5 payment in lieu of taxes program established by the CPTSA. This
6 report would be published on the Treasury's website. If the
7 Treasury's estimate exceeds the total amount of the payments in
8 lieu of taxes paid by the casino gaming properties over the
9 preceding five years by 10% or more, then the base amounts of the
10 PILOT would increase by that percentage and apply to future
11 determinations of the base amount.

12 This bill also reallocates the receipts collected by the Casino
13 Redevelopment Authority (CRDA) from the casino investment
14 alternative tax (IAT) for the Atlantic City Tourism District to
15 Atlantic City for the purposes of paying debt service on municipal
16 bonds issued, excluding any amount of the revenues pledged for
17 payment of bonds issued by the CRDA or otherwise contractually
18 obligated by the authority prior to the effective date of the bill. All
19 monies so allocated are to be considered State aid that is subject to
20 the "Municipal Qualified Bond Act," P.L.1976, c.38 (C.40A:3-1 et
21 seq.).

22 The bill also creates the Atlantic City Review Commission and
23 provides that this commission would review the PILOT program in
24 2024.

25 Finally, the bill provides that the State of New Jersey would have
26 a first priority lien on all payments made under this bill to secure
27 repayment of any loans, or aid requiring repayment made to
28 Atlantic City by the State of New Jersey. Under the bill, the city
29 would utilize amounts received under this bill to first repay the
30 State of New Jersey.