

LEGISLATIVE FISCAL ESTIMATE

[Second Reprint]

SENATE, No. 2677

STATE OF NEW JERSEY
220th LEGISLATURE

DATED: JULY 1, 2022

SUMMARY

- Synopsis:** Amends requirements for certain mixed use parking projects undertaken by municipal redevelopers under Economic Redevelopment and Growth Grant program; increases total available tax credits by \$25 million.
- Type of Impact:** Annual decrease in State revenues.
- Agencies Affected:** New Jersey Economic Development Authority.

Office of Legislative Services Estimate

Fiscal Impact	Total Impact
State Revenue Decrease	Up to \$25 Million

- The Office of Legislative Services (OLS) concludes that the bill would decrease total State revenues by up to \$25 million by allowing the New Jersey Economic Development Authority (EDA) to issue additional tax credits under the Economic Redevelopment and Growth (ERG) Program. The OLS assumes that the additional tax credits would be made available to certain mixed-use parking projects for which the bill expands the scope of eligible project costs.
- Under the ERG program, the EDA may issue tax credits to the redevelopers of mixed-use parking projects, which credits can be claimed over the 10-year period following the issuance of a certificate of occupancy for the project. Because the bill extends the deadline for the submission of a temporary certificate of occupancy for an eligible project to June 2026, the State revenue losses resulting from the bill could potentially extend to FY 2036.

BILL DESCRIPTION

This bill increases the total tax credits available by the EDA under the ERG program by \$25 million. The bill also modifies requirements for certain mixed-use parking projects undertaken by municipal redevelopers under the ERG program.

The \$25 million increase in the total tax credits available under the ERG Program would be made available to certain qualified residential projects and mixed-use parking projects that are located in Garden State Growth Zones having a population in excess of 125,000. The bill also extends the deadlines by which certain developers may submit a letter of support from the host municipality until December 31, 2022.

The bill amends the definition of “project cost” for any mixed-use parking project that is undertaken by a municipal redeveloper and that did not commence construction before the declaration of the COVID-19 public health emergency on March 9, 2020. For these projects, project costs may include, in the discretion of the EDA, the cost or value of land, demolition, and equity contributions, as well as any particular costs for which the project has received State or local funding.

Under the bill, a municipal redeveloper of a mixed-use parking project would be required to submit a temporary certificate of occupancy for the project no later than June 30, 2026. In the case of certain projects approved after the effective date of P.L.2017, c.59, the bill also extends the deadline to submit a temporary certificate of occupancy until June 30, 2026.

Additionally, the bill specifies that the redevelopment incentive grant awarded for these projects would equal 100 percent of the total project costs for the parking component and 40 percent of the total project costs for the non-parking component of the mixed-use parking project. However, the bill also clarifies that the grant award would equal 100 percent of the total project costs for the parking component and 80 percent for the non-parking component if the mixed-use parking project is: (1) constructed upon all or a portion of a project site that was previously awarded tax credits pursuant to the Urban Transit Hub Tax Credit Act or the New Jersey Economic Stimulus Act of 2009, but those tax credits were not issued; (2) an entertainment venue with seating capacity in excess of 5,000; or (3) constructed to be utilized by a visitor center or youth center within or adjacent to a national historic park.

The bill provides that the terms of any approval by the EDA may be modified upon application to the EDA for review and approval, provided, however, the developer would not be required to pay a fee for the modification.

Lastly, the bill provides that all proposed mixed-use parking projects are required to comply with Leadership in Energy and Environmental Design standards to the extent that the United States Green Building Council has promulgated standards for the project type proposed.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that this bill would decrease total State revenues by up to \$25 million by allowing the EDA to issue additional tax credits under the ERG program.

Under the ERG program, the EDA may issue tax credits to the redevelopers of mixed-use parking projects, which credits can be claimed over the 10-year period following the issuance of a certificate of occupancy for the project. The amount of tax credits awarded for a project is determined based on a percentage of the project’s total eligible costs. Notably, this bill increases the total amount of tax credits that may be awarded under the program by \$25 million and expands the scope of “project costs” that may be approved for certain mixed-use parking projects.

Specifically, the additional tax credits would be restricted to certain qualified residential projects and mixed-use parking projects that are located in Garden State Growth Zones having a population in excess of 125,000. However, the bill does not extend the deadline by which developers or municipal redevelopers may apply for these tax credits. Instead, the bill extends the deadlines to submit certain program documents for certain projects that applied to the EDA before December 31, 2021.

As noted, the bill also expands the scope of “project costs” for certain mixed-use parking projects undertaken by municipal redevelopers, and which did not commence construction before the declaration of the COVID-19 public health emergency. Specifically, the bill provides that these project costs may include, in the discretion of the EDA, the cost or value of land, demolition, and equity contributions, as well as any particular costs for which the project has received State or local funding.

Accordingly, the OLS assumes that the additional tax credits would be made available to certain mixed-use parking projects for which the bill expands the scope of eligible project costs, which are used to calculate the total tax credits issued for the project. However, due to the discretionary nature of this allowance, the OLS is unable to predict how many additional project costs will be approved by the EDA. Regardless, because the bill extends the deadline for the submission of a temporary certificate of occupancy for an eligible project to June 2026, the State revenue losses resulting from the bill could potentially extend to FY 2036.

The OLS also notes that by extending the deadline for municipal redevelopers to obtain temporary certificates of occupancy for approved mixed-use parking projects, the bill increases the likelihood that these projects will satisfy all requirements of the ERG program, thereby allowing the municipal redeveloper to realize the awarded tax credits. Accordingly, the bill may increase the total amount of tax credits that are actually claimed or sold by municipal redevelopers to the extent that the bill allows certain additional mixed-use parking projects to be completed in a timely manner.

Section: Authorities, Utilities, Transportation and Communications Section

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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.).