

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

[First Reprint]

## **SENATE, No. 2677**

with committee amendments

# **STATE OF NEW JERSEY**

DATED: JUNE 27, 2022

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2677 (1R), with committee amendments.

As amended and reported, this bill increases the total tax credits available by the New Jersey Economic Development Authority (EDA) under the Economic Redevelopment and Growth Grant (ERG) program by \$25 million. The bill also modifies requirements for certain mixed-use parking projects undertaken by municipal redevelopers under the ERG program.

Notably, the bill increases the total tax credits available under the ERG Program by \$25 million, which credits 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 (LEED) standards to the extent that the United States Green Building Council has promulgated standards for the project type proposed.

#### COMMITTEE AMENDMENTS:

The committee amendments:

(1) increase the total tax credits available under the ERG Program by \$25 million, which credits would be available for 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;

(2) extend, from December 31, 2021 to December 31, 2022, the deadline by which certain developers are required to submit a letter of support from the host municipality to the EDA;

(3) extend, from December 31, 2023 to June 30, 2026, the deadline by which certain projects approved after the effective date of P.L.2017, c.59 are required to submit a temporary certificate of occupancy;

(4) revise the scope of “project costs” for mixed-use parking projects undertaken by municipal redevelopers, which did not commence construction before the declaration of the COVID-19 public health emergency. Specifically, the amendments provide that “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;

(5) remove a provision of the bill that would have exempted municipal redevelopers from the requirements to demonstrate a project financing gap and provide an equity contribution with respect to the parking component of the project; and

(6) provide that the terms of any approval by the EDA for a proposed mixed-use parking project undertaken by a municipal

redeveloper may be modified upon application to the EDA, not automatically as previously required under the bill, except that the developer would not be required to pay a fee for the modification.

**FISCAL IMPACT:**

The Office of Legislative Services (OLS) concludes that this 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 Program.

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.

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 project for which the bill expands the scope of eligible project costs, which costs 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, the State revenue loss resulting from the bill would begin at an indeterminate time and would depend on when certain project milestones are met, but in no case will the loss extend beyond FY 2036.