

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 4690
STATE OF NEW JERSEY
219th LEGISLATURE219th LEGISLATURE

DATED: MAY 20, 2021

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SUMMARY

Synopsis: Expands eligibility criteria for municipalities wherein projects receiving New Jersey Redevelopment Authority assistance may occur.

Type of Impact: Potential revenue increase to the State and affected local governments.

Agencies Affected: New Jersey Redevelopment Authority (NJRA).
Certain Local Governments.

Office of Legislative Services Estimate

Fiscal Impact	<u>Multi-Year Lifespan of Tax Credits</u>
Indirect <u>State</u> Revenue Gain	Indeterminate
Indirect <u>Local</u> Revenue Gain	Indeterminate

- The Office of Legislative Services (OLS) estimates that the bill will produce a potential indirect revenue gain to the State and affected local governments. The OLS’ inability to quantify the potential revenue gain is rooted in a lack of reliable information on the municipality or municipalities that would qualify as an eligible municipality under the bill and the number and attributes of projects that might qualify for New Jersey Redevelopment Authority (NJRA) assistance under the bill.
- The NJRA is a self-supporting entity, receiving revenue for its programs from interest income and fees related to projects receiving loans from the NJRA. However, in the past, the NJRA has required State support including \$9 million in startup funding, and \$25 million for the Urban Site Acquisition Program’s revolving loan fund.
- The OLS expects the bill’s potential indirect revenue gain to be due to any State and local tax revenue generated from any additional projects qualifying to receive NJRA assistance.

BILL DESCRIPTION

This bill expands the criteria for municipalities to be deemed a “qualified municipality” wherein certain development projects may become eligible for assistance from the NJRA. The bill allows a municipality to be deemed an eligible municipality if, at the time of the initiation of a project receiving NJRA assistance, the municipality had established a special improvement district.

Originally, for a project to qualify for NJRA assistance, the project had to be located in an eligible municipality where, at the time of the initiation of a project, the municipality had to either: 1) be eligible to receive aid under the Special Municipal Aid Act, or 2) be coextensive with a school district which qualified for designation as a special needs district pursuant to the Quality Education Act of 1990. Further, the Commissioner of Community Affairs is permitted to nominate a municipality within a county as a “qualified municipality,” for a five-year period, if no other municipality within the county qualifies. A nominated municipality must have ranked in the top 20 percent of the Municipal Distress Index and be approved by the NJRA’s board.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that the bill will produce a potential indirect revenue gain to the State and affected local governments. The OLS’ inability to quantify the potential revenue gain is rooted in a lack of reliable information on the municipality or municipalities that would qualify as an eligible municipality under the bill and the number and attributes of projects that might qualify for NJRA assistance under the bill.

It is not possible to know the future projects that will apply for NJRA assistance, thus also not possible to know whether those projects are located within municipalities with special improvement districts, and whether that will newly make a project eligible that would not have otherwise been eligible under the existing statute. To the extent that a project does newly become eligible for NJRA assistance, presumably that assistance will increase the likelihood of the project succeeding financially and generating economic benefits that would accrue to the State and localities in the form of increased tax revenue. It is not possible to quantify the benefit at this time due to a lack of knowledge about the details of these future projects as well as an inability to isolate the marginal impact of the NJRA assistance from all other factors that would impact the success or failure of the project.

The OLS expects the bill’s potential indirect revenue gain to be due to any State and local tax revenue generated from any additional projects qualifying to receive NJRA assistance. If the bill results in a significant increase in newly eligible projects that exceeds the financing capacity of the NJRA, it is possible that a subsequent appropriation would be needed to support those projects. At this point, the amount of assistance will be limited to the existing financing capacity of the NJRA, since the bill does not provide any supplementary funds to the NJRA.

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.).