

# NJ Economic Recovery Act of 2020



# New Jersey's Economic Priorities

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1

Investing in people

*to help all New Jersey residents find meaningful work*

2

Investing in communities

*to build world-class cities, towns, and infrastructure*

3

Making New Jersey the State of Innovation

*to create more and better jobs across the state*

4

Making government work better

*to improve New Jersey's competitiveness and business climate*

# New Programs Supporting these Strategies

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1 Emerge Program

2 NJ Aspire Program

3 Food Desert Relief Program

4 NJ Innovation Evergreen Fund

5 Main Street Recovery Finance Program

6 Brownfield Redevelopment Incentive

7 Historic Property Reinvestment Program

8 Community-Anchored Development Program

# Principles Underlying New Programs

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1. Supporting **job creation**
2. Investing in **innovation**
3. Providing relief for **Main Street businesses**
4. Helping **underserved communities**
5. Implementing anti-corruption and **oversight reforms**

# Reforms to Ensure Transparency and Accountability

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1. Independent Office of the Inspector General
2. Chief Compliance Officer
3. Caps on all programs
4. Reforms tax credit sales and transfers
5. Enhanced data sharing with other agencies
6. CEO certification under penalty of perjury
7. Strengthened prevailing wage requirements
8. Required Community Benefit Agreements

# 1 **Emerge Program**

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- ▶ Focus on **communities with the greatest levels of distress**
- ▶ **Targets Governor's priority sectors** for economic growth
- ▶ **Focus on new jobs** with minimum job creation targets for most projects
- ▶ Business must make **minimum capital investment** in eligible area
  - Can meet requirement with **donations to a local infrastructure fund**
- ▶ **Net benefit requirement of 200% – 400%** of award amount
- ▶ **Retention projects limited** to those retaining more than **500 jobs**
- ▶ Capped with NJ Aspire at **\$1.1B per year over 6 years**
  - \$1.1B cap covers **both programs**

## 2 NJ Aspire Program

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- ▶ **Awards equal to 50% of development costs** for projects in targeted areas
  - 45% of development costs for other projects
- ▶ **Up to \$50M** for projects in targeted areas
  - \$32M for other projects
- ▶ **Targets downtowns near transit**
- ▶ **Supports affordable and mixed-income housing** in job-centric areas
- ▶ **Drives market-rate housing** in distressed areas
- ▶ **Includes labor peace agreements**
- ▶ **Capped with Emerge at \$1.1B per year over 6 years**
  - \$1.1B cap covers **both programs**

### 3 Food Desert Relief Program

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- ▶ \$40M program to **support new supermarkets** and **strengthen existing community assets**, including small retailers of fresh foods
- ▶ Target up to **50 areas in greatest need** of access to nutritious foods
- ▶ **Up to 40% of development costs** for an operator developing the **first grocery store** in a food desert community
  - Up to 20% percent for an operator developing the second
- ▶ **Up to 100% percent of initial operating costs** for the operator of the **first grocery store**
  - Up to 50% of initial operating costs for an operator of the second
- ▶ Grants and loans to **small and mid-sized retailers** and supermarkets to support food security initiatives



## 4 NJ Innovation Evergreen Fund (NJIEF)

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- ▶ **\$500M+** venture investment fund for New Jersey companies
  - 50% public money (auction of \$60M of tax credits per year for 5 years)
  - 50% private money via matching investments
- ▶ **Qualified venture firms can draw up to \$5M for two investments** per year in NJ-based companies in the State's focus sectors
  - Increased individual investment cap for ventures utilizing NJ-based college IP or that are certified woman or minority owned
  - Goal of **25% of fund invested in communities in distress**
- ▶ As exits are realized, the proceeds will be distributed back to NJIEF, providing **self-sustaining streams of funds**

# 5 Main Street Recovery Finance Program

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- ▶ **\$50M** appropriation for:
  - **Grants and loans** to small businesses and micro businesses
    - 10 or fewer employees and annual revenues less than \$1M
  - **Grants and loans to CDFIs** supporting microbusinesses
- ▶ **Establishes "Main Street Recovery Fund"** subject to annual appropriation to be disbursed to fulfill the purposes of providing grants and loans
- ▶ **40% of funds** reserved for minority- and women-owned businesses
- ▶ Includes strong **technical assistance for micro businesses**

## 6 Brownfield Redevelopment Incentive

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- ▶ **One-time** tax credit issued in the year of completion of remediation
- ▶ **Annual cap:** \$50M
- ▶ **Project cap:** \$4M
- ▶ Provides funds for **assessment, investigation, and remediation activities**, hazardous materials abatement, waste disposal, and structural remedial activities
- ▶ **Competitive** application process
- ▶ **Supplements** NJEDA Community Revitalization

## 7

# Historic Property Reinvestment Program

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- ▶ Typically **one-time** tax credit issued in the year of completion of redevelopment
- ▶ **Annual Cap: \$50M**
- ▶ **Project Cap: 40%** of rehabilitation costs
- ▶ Building be listed on the **National Register of Historic Places** OR approved by the **State Historic Preservation Officer**
- ▶ Limited to **income producing** projects
- ▶ Program allows for **development period flexibility**
- ▶ **Competitive** application process
- ▶ Leverages **National Historic Tax Credit**

# 8 Community-Anchored Development Program

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- ▶ **Annual Cap: \$200M**
  - Award of tax credits represents a **deferred investment**
- ▶ **Minimum project investment: \$10M**
- ▶ **Awards of \$5M to \$75M OR 40% of project costs**
- ▶ **Partnerships with community organizations for career training and work opportunities**
- ▶ **Competitive application process** based on projected community impact and strategic significance

# 9 NJ Film and Digital Media Tax Credit

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- ▶ **Film Tax Credit:** \$300M split among three buckets
  - **Base program:** 30% of qualified film production expenses with 5% bonus in targeted counties and 2% Diversity Credit
  - **Film Lease Partner:** entities that lease 50k+ s.f. of studio space
  - **Film Studio Partner:** entities that develop or lease over 250k+ s.f. of studio space
  - **60% or \$1M** of the total expenses through NJ vendors
- ▶ **Digital Media:** 20% of expenses with 5% bonus in targeted counties
  - At least **\$2M** of production expenses through NJ vendors
  - At least 50% of expenses must be for **wages and salaries** paid to full-time employees in NJ



# The incentives legislation also contains a variety of **modifications to and expansions of existing NJEDA programs**

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10 **NJ Ignite Program** provides direct financial assistance to collaborative workspaces and start-ups

11 **Angel Investor Tax Credit Program** expanded to \$35M and allowance for Limited Partner investment into a qualified NJ focused fund

12 **Net Operating Loss (NOL) Program** expanded to \$75M; **lifetime company cap increased to \$20M**

13 **Offshore Wind Tax Credit** capital investment requirement reduced to \$50M and geographic criteria expanded to support projects throughout the state

14 **Economic Redevelopment and Growth** program extension (12 months) to provide \$200M to bridge funding gaps for development projects

15 Accommodations under **Grow New Jersey** to allow recipients to maintain eligibility under State of Emergency



## Accommodations under **Grow New Jersey** to allow recipients to maintain eligibility under State of Emergency

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- ▶ A business may choose a waiver for 2020 and/or 2021 tax periods provided the term of the eligibility period of the incentive agreement is extended by a corresponding period of time which defers up to two years' tax credits to future years
- ▶ A business may terminate its Grow New Jersey award without recapture through 12/31/2022 upon certification of the impact of COVID
- ▶ A business may amend its Grow New Jersey agreement to lower employment requirements in 2020 provided the incentive award is recalculated and reduced for its 2020 tax year and all future periods
- ▶ Amended definitions of “targeted industry” and “incentives effective date”





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