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New Jersey Incentives and Business Assistance Programs: A Newark Case Study

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New Jersey offers a large number of incentive and business assistance programs that support the relocation, expansion and retention of companies in the Garden State. Many of the programs are focused on targeted industries and have a 'smart growth' component that enhances the program's value in designated growth areas. Other programs are available for most firms, regardless of location or type of industry, such as the work force training initiatives.

Business Employment Incentive Program (BEIP)

One of New Jersey's most successful business expansion programs, the BEIP, makes grants to firms expanding or relocating in the State that create at least 10 new jobs in the High-Tech/Bio-Tech field, or 25 new jobs in other non-technology business categories. The New Jersey Economic Development Authority (EDA) may approve grants for up to 10 years. The company must commit to employment for 1.5 times the length of the grant. There is a maximum award of up to 50 % of new State income taxes generated as a result of new employees hired. It also provides an opportunity for grant awards up to 80 % to companies that promote certain smart growth strategies.

Many projects in excess of 200 jobs will capture up to 50% of the personal income tax generated. An additional 30% bonus is available for targeted industries and smart growth projects. The grants must be a material factor in the final location or expansion decision. Since its inception in 1996, the EDA, which administers the program, has executed 243 grants worth about \$809 million, supporting the creation of some 54,000 new jobs and leveraging almost \$10 billion in total public/private investment. Five City of Newark businesses have benefited so far, these firms have taken advantage of the BEIP program receiving approval for awards of over \$4 million, supporting the creation of 650 jobs and supporting over a quarter billion dollars in public / private investment.

Business Retention and Relocation Assistance Grant Program (BRRAG)

When larger employers need to relocate, BRRAG provides employment-based grants that encourage them to relocate within New Jersey. The New Jersey Commerce, Economic Growth and Tourism Commission provides relocation grants to businesses that retain a minimum of 250 full-time jobs by relocating to New Jersey or expanding to a new location within the State. Transferable tax credits per full-time job retained are not to exceed 80% of retained personal income tax. The total amount for all projects is limited to \$20 million per year. Tax credits may be applied against current year or one subsequent year tax period or can be sold.

The program has three tiers: 1. Qualified projects with 200 to 499 retained jobs may receive \$1,500 per job; 2. Qualified projects with 500-plus jobs can expect \$1,500 per job retained, based on statutory funding priority; and 3. Super-projects (size plus smart growth) receive \$750 per job bonus (\$2,250 total), provided it involves 2,000 jobs and the relocation is to a designated urban center. Newark is a designated urban center. In addition, eligible companies relocating within the State can get a sales and use tax exemption to pay for relocation costs. Statewide, New Jersey has granted 17 BRRAGs that have resulted in the retention of over 12,000 jobs and over \$1 billion in private sector investment.

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Work Force Training Grants & Other Assistance

The New Jersey Department of Labor and Workforce Development offers a Customized Training program designed to create and retain high-skilled, high-wage private sector jobs to compete in the global economy. There are grants for skills training, education and a wide range of support for workers and employers. Grant dollars can be awarded to employers for classroom-based and on-the-job training. Grant dollars may be used to reimburse up to 60% of a company's training costs. Grant allocations can be applied to the direct cost of training (training vendor fees, training supplies, etc.), as well the partial reimbursement of wages for workers participating in the training.

Such workforce investments exceed \$35 million annually. The City of Newark has a number of outstanding job training programs offered by the many non-profit groups that support the City. The Archbishop Boland Rehabilitation and Training Center, offers vocational services to disabled and disadvantaged adolescents and adults. Catholic Community Services Workforce Development Programs offers a wide range of technical, vocational and quality of life training programs. La Casa de Don Pedro, Inc. has a number of bilingual quality of life programs, and Newark Business Training Institute (NBTI) provides vocational and business training in a wide range of fields. And finally, the Technical Training Project, Inc. offers laboratory technician programs to train adults for careers in the sciences.

Smart Growth Redevelopment Programs

New Jersey offers a wide range of incentive programs that provides support for the State's smart growth initiatives. The programs are designed to promote urban redevelopment and assistance in closing the financial gaps and the dis-incentives to urban development and redevelopment. These programs include:

Smart Growth Predevelopment Funding

This program provides loans and guarantees of up to \$1 million for non-contamination-related site preparation costs, including, but not limited to, land assemblage, demolition, removal of materials and debris, and engineering costs. Eligible projects include commercial, industrial, office and mixed-use projects in urban and developed suburban communities. Projects must have municipal support and be part of a local development plan.

Brownfield Development

The Brownfields Redevelopment Loan Program is an initiative to encourage urban revitalization. The program enables developers entering into a Brownfield Redevelopment agreement with New Jersey Commerce to borrow up to \$750,000 from the EDA to meet remediation costs. The reimbursement comes from new State tax revenues generated by the project. In addition, the EDA works in conjunction with the Department of Environmental Protection (DEP) to assist companies involved in hazardous discharge site investigation and cleanup with loans of up to \$1 million for as long as 10 years through the Hazardous Discharge Site Remediation Fund. Municipalities may apply for grants and loans of up to \$2 million per year.

Redevelopment Areas (RADs)

Municipalities may designate publicly or privately owned lands that are abandoned or under-performing as redevelopment areas. This enables the municipality to spur redevelopment, including the condemnation of property, the use of tax exemptions, favorable bond financing and the creation of a Revenue Allocation District (RAD). The district may be up to 15 % of the total taxable property assessed in the community with the redevelopment area. In these RADs, bonds or notes may be secured by a number of revenue sources including the property tax increment, as well as incremental revenue from PILOTS, parking taxes, and sales and use taxes retained by the municipality. Newark has the first RAD approved in the State of New Jersey.

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Redevelopment Area Bond Financing

The NJEDA may issue long-term, low-cost bonds on behalf of municipalities seeking to fund infrastructure improvements and other pre-development costs. The bonds are backed by Payments in Lieu of Taxes (PILOT) negotiated between the developer and municipality and pledged by the municipality as security for the bonds. The advantages include: exemption from the calculations of gross debt; favorable interest rates which may be passed to redevelopers; borrowing through revenue streams other than general taxes revenues; the ability to use the proceeds without the restriction of bidding statutes; and the broad scope of redevelopment costs that may be financed.

Long-Term Tax Exemption

This incentive authorizes municipalities to exempt redevelopment projects from local property tax for a term of up to 35 years. Municipalities may enter into financial agreements with redevelopers exempting the improvements from taxation whereby the property owner agrees to pay an annual service charge for municipal services under the PILOT program. (A five-year exemption may be made for projects not in the redevelopment area, but deemed to be "areas in need of rehabilitation.")

Urban Enterprise Zones

One of New Jersey most successful programs to encourage urban re-development has been the Urban Enterprise Zones (UEZ) Program. This program is the most productive business incentive package in the Commerce, Economic Growth and Tourism Commission's vast economic toolkit, with job growth in the State's 32 zones (within 37 municipalities) outperforming non-UEZ areas. Since 1985, the State's UEZ program has helped create 155,000 full-time jobs that resulted in more than \$18 million of private dollars being invested by businesses in the zones. Since 1985, 22,287 businesses have participated in the program and 7,750 qualified businesses now are participating in the program.

The UEZ board has distributed \$525 million in sales tax revenue to over 1,600 different economic development programs such as façade improvements, foliage and police protection. The benefits of being located within a UEZ are numerous. Businesses can receive sales tax exemptions on equipment and supplies, including building materials, and corporate tax credits for hiring within designated employee groups. Additionally, qualified retail businesses may charge 50% of the mandated 6 % sales tax on "in person" customer purchases. Other benefits range from subsidized unemployment insurance costs to priority financial assistance for labor training. UEZ companies may be eligible for a \$1,500 tax credit for each new full-time employee matching certain residence or employment qualifications.

Technology Initiatives

New Jersey also provides a large number of programs directed at technology based firms. These programs include:

Innovation Zones

New Jersey has created new technology neighborhoods known as Innovation Zones in Camden, the greater New Brunswick area and Newark. These three zones are geographically defined areas that have been established to spur collaboration between the State's public research universities and technology businesses to encourage the more rapid transfer of discoveries from the lab to the marketplace. These three areas were created because of their concentration of existing technology assets, including the public research universities, medical

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research facilities and planned or developed commercialization center. The New Jersey EDA and the New Jersey Commission on Science and Technology work cooperatively with other State agencies to direct resources that will support financial, infrastructure, workforce and housing needs with the zones. The Newark Innovation Zone is bordered to the North by Route 280, to the East by McCarter Highway, to the South by Market Street/South Orange Avenue, and to the West by Bergen Street/First Street.

Technium Program

New Jersey Economic Development Authority has restructured the old Springboard Fund and the New Jersey Seed Capital program into a new program called Technium. Under the new plan the two old initiatives will be replaced by a Growth Fund with awards starting at \$100,000. Business or ventures could go back for additional rounds of funding as they achieve performance milestones, for a maximum of \$1 million. Repayment would be deferred until the venture begins generating revenue. Technium includes a new business planning coaching service.

Technology Business Tax Certificate Transfer Program

Technology or biotechnology businesses with 225 employees or fewer, with 75 % or more of them based in New Jersey, are eligible to participate in the program. Approved businesses may sell their unused net operating loss carry forwards to any profitable corporate taxpayer in the State for at least 75 % of the value of the tax benefits. This allows businesses to turn their tax losses and credits into cash for working capital for the purchase of facilities, equipment or other expenses. More than \$40 million in tax certificates are awarded annually, and an additional \$20 million is available for targeted high-tech companies and companies locating in the State's Innovation Zones.

Research & Development Corporate Business Tax Credit

This credit may be taken against a corporation's business tax liability for those qualifying research activities that are performed in New Jersey. Those activities are limited to scientific experimentation or engineering activities designed to aid in the development of a new or improved product process, technique, formula, invention or computer software program held for sale, lease, or license, or used by the taxpayer in a trade or business. Any unused tax credits may be carried forward for up to seven years.

The Technology Centre of New Jersey

Affordable, state-of-the-art lab, production and research facilities and advanced technology facilities are available for emerging and advanced technology-driven companies. For large tenants, there are facilities ranging from 6,000 to 60,000 square feet. For smaller tenants, some 800 to 3,200 square feet can be leased. Arrangements can also be made for stand-alone buildings. Located on Route 1 in North Brunswick, the Centre is in the heart of the state's "Research Corridor." A full range of property and facility management services are available to tenants. Financing may be arranged for tenant improvements. FRANK

Other R&D Funding Support

- *R&D Excellence Awards Program*: Provides competitive, multi-year R&D grants (up to \$4 million over five years) to academic institutions, including those partnered with private-sector companies. About half are given in the life sciences
- *Technology Transfer and Commercialization Program*: Offers repayable grants up to \$250,000 to high-tech companies with short term commercialization research programs.

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- *Seed and Venture Financing:* The \$45-million Early Stage Enterprise Seed Investment Fund, the \$30-million New Jersey Technology Council Venture Fund and loans of up to \$3 million through the Seed Capital Program and the New Jersey Commission on Science and Technology are available for tech-based companies.
- *Edison Venture Fund:* Invests in emerging-technology businesses in the Mid-Atlantic. One-third of the fund is always invested in New Jersey.
- *Jumpstart Angel Investors Network:* Invests \$200,000 to \$500,000 annually in early stage, pre-venture capital and emerging companies.
- *Technology Funding Program:* Works with commercial banks to provide up to \$5 million in loans for working capital or fixed-asset needs. A tenant fit-up allowance of \$100 per square foot at the Technology Centre of New Jersey incubator is also available through the EDA.

Utility Energy Programs

Finally local utilities and the New Jersey Board of Public Utilities offer incentives for locating in urban areas and implementing energy conservation initiatives.

PSE&G Area Development Service

An economic incentive program targeted at urban centers. Qualifying customers receive a \$2.85 per kilowatt demand credit. This electric credit approximately provides a reduction to a user's bill of 6%- 13% (depending on load profile) for up to 5 years, and phased out over 2 additional years.

New Jersey Smart Start Buildings Program

This statewide energy-efficiency program available through New Jersey's electric and gas utility companies designed to offer incentives for upgrading to high efficiency equipment. The program also offers design support for larger projects and technical assistance for smaller projects. www.njsmartstartbuildings.com.

The technologies listed below may qualify for a rebate:

- **Electric**
 - Chillers Geothermal HVAC LED Traffic Signals
 - Lighting Lighting Controls Motors Variable Frequency Drivers
 - Custom Equipment
- **Gas**
 - Boilers Cooling Desiccant Furnaces
 - Water Heating Custom Equipment
- **Design**
 - Design Support Technical Assistance

For more information on New Jersey's pro-business growth programs visit www.locationNJ.com.