

# NJBIA

## AT ISSUE *By Melanie Willoughby, Senior Vice President*

### Economic Development Programs Get a Makeover

In this economy, government cannot afford to ignore economic development. Last fall, the Governor and the Legislature enacted sweeping business tax reforms that will save businesses \$400 million and created new economic growth and stimulus programs even as they confronted plummeting revenues. But some of the state's existing economic development programs are also in need of reform, reforms that the Legislature wisely passed this spring by sending an omnibus economic stimulus bill to Governor Jon Corzine.

Take the 2.5 percent COAH (Council On Affordable Housing) fee imposed on nonresidential development last summer. In today's economic climate, when we are struggling to get any kind of economic development going, adding this fee on the total cost of a project is unfair, excessive, and an impediment to economic growth. The Legislature voted to suspend the fee for any project that received preliminary or final site plan approval before July 1, 2010, and obtains a building permit prior to January 1, 2013.

New Jersey's tax increment financing program will receive a makeover as well. Tax increment financing helps developers and businesses fund their projects by providing them with a portion of the anticipated future tax revenues the project will generate. Forty-eight states currently have functioning tax increment financing programs, but in New Jersey our program has attracted only one project in nearly a decade. That's because New Jersey's program is too complex and bureaucratic, and only offers limited financial assistance. The legislators wisely voted to expand the benefits of this program and simplified its administration.

Similarly, the bill would overhaul New Jersey's efforts to attract development to urban areas. In January 2008, the state created the Urban Transit Hub Tax Credit (UTHTC) program granting a 100 percent tax credit for any qualified project located within half a mile of train stations in nine urban areas. But no one stepped forward with a project. That's because no one could meet the program's inflexible investment

and job-creation requirements. Legislators not only voted to expand the program to other cities, but also to ease the criteria for investment and job creation to make the program more reasonable as well.



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Another program that needed to be beefed up is one designed to encourage high-tech start-up companies. Like many other states, New Jersey offers these small companies incentives to locate here in hopes that one day they will turn into large, successful companies. The state's Tax Benefit Certificate Transfer Program is designed to do just that by allowing other companies to purchase the research and development tax credits and net operating loss deductions that the start-ups are not able to use because they are not yet profitable. New Jersey's program is underutilized, however, so the Legislature increased the benefits and expanded the program's scope.

NJBIA generally supports this legislation. In one act, it reforms several important economic development programs while suspending the most onerous impediment to economic development—the COAH nonresidential development fee. It's a great example of making sure the programs that are already on the books are working as intended. **NJB**