

Keep New Jersey Working: NJ-NAIOP's Prescription for Prosperity

“...the economy is as fragile as the environment, and needs to be nurtured and protected, or it will be lost.”

PlanSmart New Jersey

I. Background

- The exodus of private-sector jobs has already cost New Jersey \$10 billion, and Rutgers predicts the loss of 31,000 more jobs by 2010...but public-sector job growth is explosive (58,000 government jobs added while 14,400 private-sector jobs were lost) and driving taxes ever higher.
- Industrial activity in Pennsylvania is booming, while the New Jersey markets are already experiencing unprecedented vacancy rates, which are projected to go even higher.
- The cumulative impact of unending tax and fee increases, along with a crushing regulatory burden (too often with no link to real science or meaningful benefits) has become too much for the commercial and industrial real estate industry to bear.
- Nevertheless, Trenton continues to introduce legislation, policies and regulations that add to the costs of doing business and creating private-sector jobs.

II. Key Messages: The Good News

The members of NJ-NAIOP are not giving up on New Jersey.

The good news is the commercial real estate industry is the solution to New Jersey's catastrophic loss of private sector jobs and sinking economy. There is no economic development without real estate development. The commercial real estate industry:

- Creates jobs and brings work places close to families.
- Contributes billions in local spending and infrastructure improvements, and increases the tax base.
- Cleans and reclaims blighted, disused and contaminated areas, returning properties to productive use and chasing out crime.
- Is the key to unlocking the huge potential for growth in our Port Regions.
- Includes the logistics industry, which accounts for nearly \$50 billion or 10.9 percent of the total state Gross Domestic Product.
- Creates healthy and accessible work environments that meet tenants' needs with green and sustainable technology and materials.

We are committed to working with the Corzine Administration and the Legislature to help New Jersey grow out of the current economic crisis, improve our ability to compete globally, bring long-term fiscal responsibility to our government, and restore our image as a desirable place to live, work and operate a business. Building the human environment...jobs, homes, and places to shop and play...is what fuels our economy. In order to position itself to prosper when the national economy recovers, New Jersey needs to implement policies **now** to attract new businesses, allow established businesses to expand, promote urban redevelopment, increase state revenues and keep New Jersey working.

III. NJ-NAIOP's Priority Recommendations

A. Improve Business Location and Expansion Incentives

Background

- New Jersey ranks at or near the bottom on the majority of indicators of the Small Business Survival Index, including personal and corporate income tax rates, property taxes, energy costs, state and local government spending and highway cost effectiveness.
- Our tax policies, lengthy, costly and unpredictable permit process, unrelated impact fees, and aging and congested transportation infrastructure does not look like a welcome mat for business.

Incentives for End Users/Tenants

1. **UTHTC (Urban Transit Hub Tax Credit):** The Urban Transit Hub Tax Credit incentive is an example of a good "smart growth" measure to attract business to targeted areas by providing a credit against corporate business tax. This initiative would: expand the areas within which businesses would qualify to include light rail and ferry stations; lower the thresholds of capital investments for a business to qualify; allow tenants to participate in receiving tax credits; and allow for the transferability of unused tax credits.
2. **BEIP (Business Employment Incentive Program):** A-2997/S-2114: The Business Employment Incentive Program reform initiative revises certain eligibility requirements and employment incentive limitations, and provides for a five-year extension of certain grant agreements to encourage job creation in certain urban areas. It also removes all statutory caps on salaries and job growth numbers so as to qualify more businesses to receive a BEIP grant in designated urban areas.
3. **BRRAG (Business Retention and Relocation Assistance Grant):** A-3294: The Business Retention and Relocation Assistance Act Grant program is designed to prevent jobs from being relocated out of state. This reform measure would basically eliminate the trigger of company relocation within New Jersey to qualify the firm for a grant of up to \$4500 per job retained, payable in the form of a tax credit against the firm's corporate business tax liability. Businesses would have to demonstrate a high risk of leaving the state before they could qualify.
4. **UEZ (Urban Enterprise Zone):** A-2720: The Urban Enterprise Zone reform measure would repeal the mandatory rebate process whereby businesses located in the state UEZs must file a rebate application to get reimbursed for sales tax paid on up to \$3 million of gross receipts for goods purchased for their own use.

Incentives for Developers

1. **HDSRF (Hazardous Discharge Site Remediation Fund):** This reform measure would expand (from 75% to 100%) monies that can be received from the Hazardous Discharge Remediation Fund for investigation and remediation of contaminated sites.
2. **RAD (Revenue Allocation District):** This initiative amends the Revenue Allocation District Financing Act to broaden the revenue sources (parking and utility sales taxes, etc.) available to repay bonds issued to pay for improvements associated with development projects, and streamlines the procedures for the approval and implementation of a RAD.

B. Expedite and Streamline State Permit Reviews

Background

- Brownfields redevelopment is an integral component of economic growth in New Jersey's cities, port region and older communities.
 - For every acre of brownfields redevelopment, 4.5 acres of greenfields are saved from development.
 - When we redevelop a blighted area, we clean up the environment, create new jobs and add to the municipal and state tax base.
 - The NJ DEP reportedly has more than 20,000 contaminated sites in its database, and nowhere near the number of caseworkers needed to handle the load: that amounts to 20,000 missed opportunities to create jobs, clean up the environment and reclaim neighborhoods.
1. **Expedite and prioritize permits in targeted growth areas:** Nothing kills deals and projects more effectively than delays. NJ-NAIOP recommends streamlining and prioritizing State permit reviews and the issuance of permits in areas targeted for growth: brownfields, urban redevelopment areas, and planning areas 1 and 2.
 2. **Establish a Licensed Site Professional Program within the NJ Department of Environmental Protection:** New Jersey needs a Licensed Site Professional program (LSP) to oversee the remediation of lower priority contaminated sites, reinvigorate the redevelopment pipeline and bring jobs back to our communities. Licensed Site Professionals would be authorized to oversee the remediation of lower priority contaminated sites and certify that remediation was performed in accordance with applicable laws and regulations. It is estimated that at least half of the cases in the DEP database would qualify for LSP oversight. Expediting the clean-up of those thousands of sites will provide for safer and more economically stable communities as jobs are created.

C. Fund Our Transportation Infrastructure and Improve Our Ports To Support Our Critical Logistics Industry

Background

The logistics industry is a critical component of New Jersey's economy, working in partnership with our Ports to deliver vital goods to consumers throughout New Jersey and the nation. The vitality of our logistics industry is linked to our ability to transport people and goods safely and efficiently. We need to take steps to ensure that our roads and ports can continue to compete for business.

- Nearly one in every ten-payroll jobs in New Jersey is directly in logistics.
- The 2006 average annual pay for all logistical jobs was \$59,034, 14.3 percent higher than the average for all jobs.
- The Port of New York and New Jersey imports and exports the goods of 16,002 companies that employ 222,726 people, generating over \$64 million in state corporate taxes and nearly \$123 million in state income taxes.
- New Jersey's yearly cost of congestion exceeds \$7.3 billion (or \$1,255 per licensed driver).

- Longer travel times and higher costs for truck freight operations have a negative impact on the manufacturing industry and the service sector, which leads to increased costs to consumers and increased greenhouse gas emissions.
1. **Fund Transportation Improvements:** NJ-NAIOP supports a permanent, stable, **constitutionally dedicated** and broad-based source of funding (e.g., increased gas tax, user fees) for the maintenance, expansion and improvement of our aging transportation infrastructure. Any Transportation Trust Fund financing plan that relies on tolls alone, specifically on north-south corridors, would impose a disproportionate burden on one segment of the population and economy. Inequitable toll increases along the New Jersey Turnpike would adversely impact New Jersey's industrial, warehouse and distribution centers, thereby accelerating industrial development in Pennsylvania. As our industry moves out of state, so too will jobs and the tax revenues associated with those workers.
 2. **Port Special Improvement Regions:** As home to the nation's third-largest port, our state is a vital transportation link for the movement of goods around the region. NJ-NAIOP recommends creating "Port Special Improvement Regions" in northern New Jersey and along the Delaware River to expand New Jersey's access to and competitiveness in the global marketplace, and to ensure an integrated approach that simplifies and expedites the land assemblage, development and redevelopment process by means of streamlined permit reviews, area-wide permitting, priority funding for clean-ups, etc., and improve infrastructure including the prioritization of funding for improved rail access to existing and future industrial properties that can support and service the port regions.

D. Redevelopment Planning and Property Rights

Background

Redevelopment is an important economic development tool that transforms underutilized or distressed residential neighborhoods or commercial districts into economically viable and productive parts of the community that create jobs, provide housing, enhance infrastructure and reverse the flight from urban to rural areas that can contribute to sprawl. Under the current Local Redevelopment and Housing Law:

- Non-blighted properties are being taken by eminent domain.
- There is inadequate notice of redevelopment area designations.
- Property owners receive inadequate compensation when their property is taken.

NJ-NAIOP recommends legislative reform to bring the language of the Local Redevelopment and Housing Law into compliance with recent Court decisions and address the compensation issue in an equitable way. This includes: enhanced transparency and notice in the process of designating an area as in need of redevelopment; and increased relocation compensation to owners, tenants and businesses.

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