

May 30, 2018

SENATE BILL NO. 1968

To the Senate:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I am returning Senate Bill No. 1968 with my recommendations for reconsideration.

New Jersey's Economic and Redevelopment Grant ("ERG") Program has been the State's primary redevelopment incentive program since 2013. The program provides qualified redevelopers with State tax credits and incentive grants equal to a certain percentage of their overall project costs, depending upon the type and location of the project. Amendments to the ERG program enacted in 2015 and 2017 reserved a significant amount of the program's funds for mixed-use development in our poorest cities. These earmarks were designed to attract private investment in areas of the State most in need of economic revitalization.

Some of this funding has not yet been utilized and is now on the verge of expiring. This funding, which has long been anticipated by the State, is critical to realizing housing and recreational development opportunities in areas desperately in need of economic investment. The bill's sponsors are therefore seeking several revisions to the program, including an extension of project submission deadlines and an increase in the maximum tax credits and incentive grants available to eligible projects.

I support the efforts of the bill's sponsors to preserve the availability of the funding and to promote its productive use. However, programmatic changes must be accomplished in a manner that both stimulates redevelopment and ensures that the State receives an appropriate return on its investment. As such, I am recommending revisions that will extend submission deadlines, but only if a universe of potential projects is identified as an incremental step in the application process. I am also recommending language that will give the State's Economic Development Authority greater discretion to evaluate an eligible project's return on investment whenever an enhanced tax credit or incentive grant is awarded.

I am confident that these and other modest revisions will provide the additional time and resources necessary to facilitate redevelopment projects in critical areas of the State, while also protecting the State's considerable investment.

Accordingly, I herewith return Senate Bill No. 1968 and recommend that it be amended as follows:

- Page 5, Section 1, Line 14: After "include" insert "enclosed"
- Page 5, Section 1, Line 15: After "as" insert "all"
- Page 5, Section 1, Line 15: Delete "component" and insert "components"
- Page 5, Section 1, Line 15: After "in" insert "a structure with some non-parking components with the remaining non-parking components in"
- Page 5, Section 1, Line 16: After "structure" insert "that is no more than one third of a mile from the parking components"
- Page 14, Section 2, Line 16: After "2022" insert "provided that the municipality in which the project is located shall have submitted to the chief executive officer of the authority a letter of support identifying up to six projects prior to July 1, 2018. The letter of support is to contain a project scope for each of the projects and may be supplemented from time to time until July 1, 2019"
- Page 17, Section 3, Line 10: After "component" insert ", provided that if the amount of the redevelopment incentive grant exceeds 40 percent of the total project costs for projects developed by non-public, for-profit entities, the authority shall consider the effect of the increased grant amount in determining the project financing gap, which shall include utilizing a rate of return on a developer's contributed capital, when used to determine the project financing gap, reflective of the reduced financial risk of the project, as set by the authority"

Respectfully,

/s/ Philip D. Murphy

Governor

[seal]

Attest:

/s/ Matthew J. Platkin

Chief Counsel to the Governor