

**ASSEMBLY BILL NO. 3676
(Second Reprint)**

To the General Assembly:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I am returning Assembly Bill No. 3676 (Second Reprint) with my recommendations for reconsideration.

Atlantic City has long been one of our State's greatest economic engines. Beyond its historic boardwalk and casinos, Atlantic City offers robust business opportunities due in part to its nearby Atlantic City International Airport and the Federal Aviation Administration's William J. Hughes Technical Center. Together, they offer substantial growth opportunities for the region and the State. In an effort to realize this potential and turn the page on recent economic struggles, Atlantic City was one of four cities to be designated as a Garden State Growth Zone ("GSGZ"). This bill builds upon that status by designating a one-mile area surrounding the airport and federal aviation center as a GSGZ.

Under the State's Grow New Jersey Assistance Program ("Grow NJ"), administered by the Economic Development Authority ("EDA"), a business located in a GSGZ is entitled to a base tax credit amount of \$5,000 per full-time job per year (including maximum bonuses, the gross tax credit amount is \$15,000 per full-time job per year). In addition, GSGZs are eligible for up to a \$5,000 bonus tax credit amount per full-time job if there is excess capital investment in an industrial site for industrial use. Separately, under the State's Economic Redevelopment & Growth Program ("ERG"), also administered by the EDA, businesses are entitled to a reimbursement of up to 40 percent of total project costs to build in a GSGZ.

While I understand the desire of the sponsors to expand these programs further into Atlantic County, I continue to believe that we must fully examine the merits of these tax incentive programs in light of evidence that they have been less effective than those in other

states. That is why my administration is engaged in a full review of these programs before they are scheduled to expire next year. I am therefore recommending that the proposed GSGZ sunset with the rest of the Grow NJ and ERG programs on July 1, 2019.

Further, I am recommending that the bill not distort the minimum requirements needed to qualify for the benefits afforded by Grow NJ, including the requirement that any business applying for Grow NJ benefits have 10 new or 25 full-time retained employees (for tech startups and manufacturing businesses). The number of full-time employees is lowered further, by 3/4, if the business is located in a GSGZ. In an effort to create an alternative pathway to reaching this minimum number of required full-time employees, the bill seeks to allow businesses applying for Grow NJ benefits to count an independent contractor as 8/10 of a full-time employee. While I commend the sponsors for requiring that the independent contractors be given employee health benefits, work at least 80 percent of the time at their assigned business, and complete 35 hours per week of work, an independent contractor does not enjoy the same rights as a full-fledged employee. I believe that businesses should only be eligible for these special tax incentives if they are hiring individuals who are afforded the protections and benefits of full-time employment.

Finally, I am recommending that the Pinelands Development Credits' exemption stand, but I am clarifying that the exemption does not apply to any area that is protected open space under the Pinelands Comprehensive Management Plan. Pinelands preservation is required under law and should not be disturbed, but the Pinelands Protection Act need not prevent sensible development, especially if additional growth can occur without impacting open space. For example, if an area slated for residential development is better suited for commercial development, especially in the aviation district highlighted in this bill, sensible planning should allow for such development without the

intervention of the Pinelands Development Credit Bank.

Again, I commend the sponsors for advocating for Atlantic City and its surrounding region, and I remain steadfast in my commitment to the region and its economic prospects. Specifically, I pledge to continue our multifaceted strategy currently led by Special Counsel Jim Johnson, along with the Department of Community Affairs, the Economic Development Authority, and the Office of the Attorney General, to provide foreclosure relief, expand access to food and public spaces, increase the labor pool, and improve public safety in and around Atlantic City.

I invite all businesses, especially those in high-growth tech and manufacturing industries, to participate in the enhanced benefits afforded by this bill while my administration continues to work to expand our State's innovation economy.

Accordingly, I herewith return Assembly Bill No. 3676 (Second Reprint) and recommend that it be amended as follows:

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| <u>Page 6, Section 2, Lines 20-48:</u> | Delete in their entirety |
| <u>Page 7, Section 2, Lines 1-18:</u> | Delete in their entirety |
| <u>Page 18, Section 2, Line 30:</u> | After "bill)" insert ", except if seeking to develop in permanently protected open space pursuant to the Pinelands Protection Act" |
| <u>Page 19, Section 3, Lines 5-10:</u> | Delete "For a business located within a Garden State Growth Zone that is an aviation district, the business shall submit an application for tax credits prior to July 1, 2022. The authority shall not approve an application for tax credits for a business located within a Garden State Growth Zone that is an aviation district unless the application was submitted prior to July 1, 2022." |
| <u>Page 31, Section 5, Line 25-28:</u> | Delete "For a redevelopment project located within a Garden State Growth Zone that is an aviation district, the developer shall submit an application for a local incentive grant prior to July 1, 2022." |

Page 31, Section 5, Lines 39-43:

Delete "The Local Finance Board shall not approve a local incentive grant for a redevelopment project located within a Garden State Growth Zone that is an aviation district unless the application was submitted prior to July 1, 2022."

Page 32, Section 5, Line 27:

After "bill)" insert ", except if .seeking to develop in permanently protected open space pursuant to the Pinelands Protection Act"

Page 32, Section 6, Lines 42-45:

Delete "For a redevelopment project located within a Garden State Growth Zone that is an aviation district, the developer shall submit an application for a State incentive grant prior to July 1, 2022."

Page 33, Section 6, Lines 8-11:

Delete "The authority shall not approve an application for a State incentive grant for a redevelopment project located within a Garden State Growth Zone that is an aviation district unless the application was submitted prior to July 1, 2022."

Page 33, Section 6, Line 19:

After "bill)" insert ", except if seeking to develop in permanently protected open space pursuant to the Pinelands Protection Act"

Page 36, Section 8, Line 45:

After "bill)" insert ", except if seeking to develop in permanently protected open space pursuant to the Pinelands Protection Act"

Respectfully,

/s/ Philip D. Murphy

Governor

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Attest:

/s/ Matthew J. Platkin

Chief Counsel to the Governor