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Changes to the Urban Transit Hub Tax Credit Program New Jersey Economic Development Authority Board Action - June 8, 2010

In order to improve the effectiveness of the Urban Transit Hub Tax Credit (HUB) program and to comport with statutory requirements made in amendments to the HUB law, the Board of the New Jersey Economic Development Authority (EDA) approved changes on June 8, 2010 concerning the economic impact model and the residential cap.

Per the statute, EDA must ensure that a project demonstrates a positive net benefit to the State. To accomplish this, an economic impact model was developed to measure the likely impact of a given development to the State and municipality. The model uses multipliers from the RIMS II database, along with an econometric analysis and modeling to assess economic outputs, impacts and likely job creation. The model was developed so that it can be tailored to analyze different types of projects, including office, retail, industrial, hotel and residential projects in all counties of New Jersey.

Revisions

Actual project modeling of the net benefits test has raised questions and policy considerations. As such, the EDA Board approved the following changes to ensure careful stewardship of public funding and furtherance of legislative intent and policy goals:

Limit the Maximum HUB Award to the Capital Investment in the Project

The HUB grant award must not exceed the capital investments used in calculating the net benefits to the State. Additionally, the present value of the project's benefits needs to be at least 110 percent of the HUB award amount.

Treatment of Jobs in the Net Benefits Analysis

Applicants are now required to submit material facts to demonstrate the at risk nature of existing jobs that are being relocated to a new location. The CEO of the applicant must certify those material facts and all information provided as part of the application. If the at risk nature of the employees is supported, those employees will be treated as new employees in the net benefits analysis.

Treatment of Jobs when a Company moves from Suburban to Urban HUB Location

EDA will provide a partial job credit calculation in the net benefit test to address the cost impediment of developing in an urban location. If the existing jobs are at risk of being relocated out of State, EDA will give full credit to each of these jobs. If the jobs are not at risk, the partial credit amount will be 25 percent of the full job credit.

Bonus for State Priorities

A 25 percent bonus will be provided for projects associated with logistics/freight rail and urban grocery stores. The bonus addresses the hurdle that these projects have in meeting the net benefits test due to lower direct wages paid for workers employed in these industries.

Increase in Urban Transit HUB Residential Cap

Given the demand and success of the residential portion of the program, the \$150 million cap has been increased to \$250 million for qualified residential projects, leaving a sufficient balance to support commercial activity.

