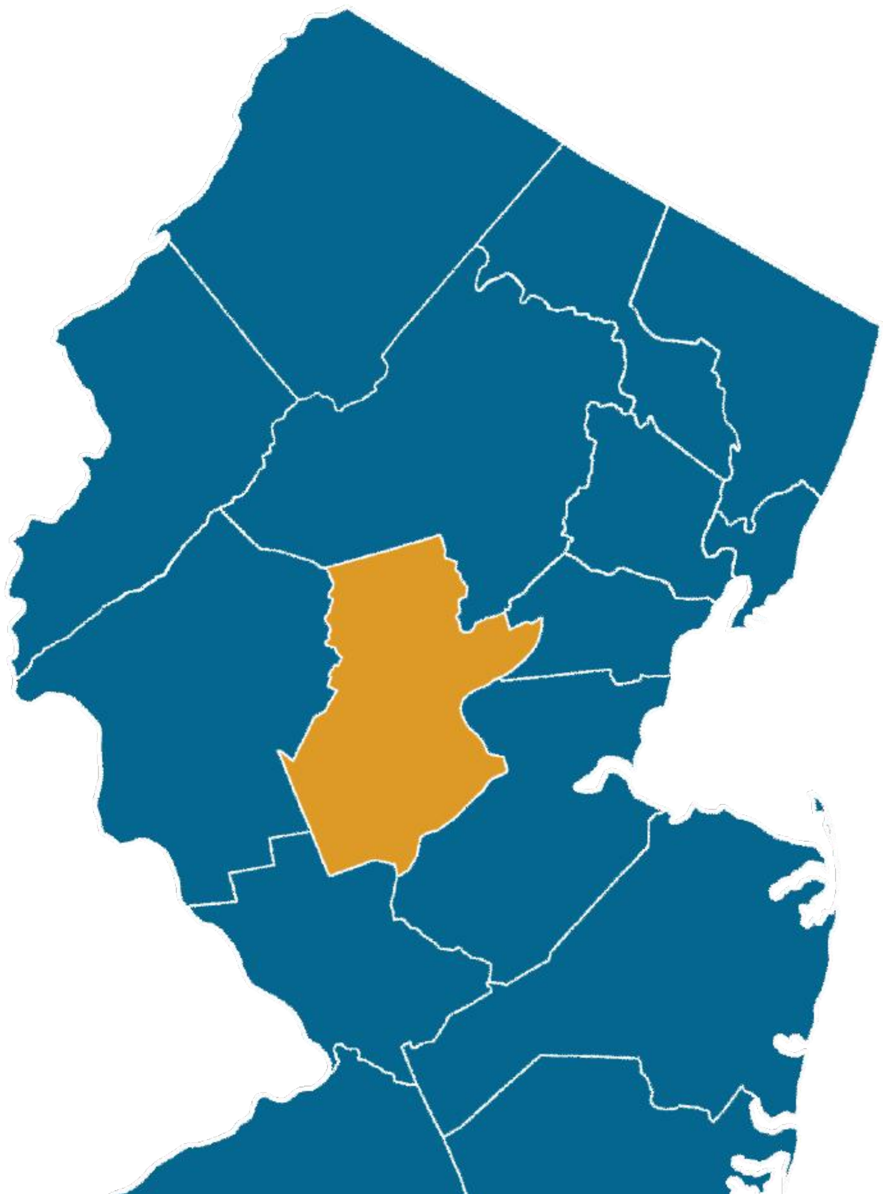
The Suburban Disadvantage

The Grow NJ Program



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Executive Summary

The Regional Center Partnership of Somerset County, Inc., the Somerset County Board of Chosen Freeholders, and the Somerset County Business Partnership have come together around an effort to ensure New Jersey business incentive programs serve job growth and private sector economic investment in our region.

Our analysis and recommendations related to the Grow NJ incentive program mirrors our past successful initiatives to secure Hurricane Floyd infrastructure and public works investments, funding to improve traffic safety and congestion mitigation along the Route 22 corridor, and our federally approved Comprehensive Economic Development Strategy: A Collaborative Blueprint for Economic Growth.

The Regional Center Partnership of Somerset County, Inc., a designated Center under the NJ State Development and Redevelopment Plan, brings together the Township of Bridgewater and the boroughs of Raritan and Somerville to improve the quality of life and further public and private investments in a vibrant area of our county featuring unique assets and amenities.

The Somerset County Board of Chosen Freeholders has demonstrated their leadership by making strategic investments and endorsing initiatives consistent with our Comprehensive Economic Development Strategy consistent with local planning and redevelopment objectives. Recognizing the importance of business incentives to development and redevelopment in the Somerset County Regional Center, the Board is committed to working with state legislators to ensure the Grow NJ program serves the interests of our residents, communities, and the region.

The Somerset County Business Partnership, a public-private partnership, serves as both the regional Chamber of Commerce and the principle economic, tourism, and workforce development entity in Somerset County, NJ. The Business Partnership is uniquely qualified to engage business on their needs, representing over 800 employers with 70,000 employees. The Business Partnership has an in-depth understanding of the needs of business including talent recruitment and attraction challenges; cultural, the historic and recreational amenities that make our county unique, and the factors influencing corporate site location, including economic and workforce incentives.

These partners are pleased to present the final analysis and recommendations related to the Grow NJ business incentive program, and we look forward to engaging state elected and appointment officials in this critical discussion.

Key Findings & Recommendations

Findings

Expiration, and anticipated renewal, in some form, of the Grow NJ program provides a unique opportunity to improve business incentives in a way that benefits all geographic areas of the State of New Jersey with a focus on jobs and private sector economic investment.

Commercial offices house workers who generate personal income and sales tax revenue to the State of New Jersey. These office properties also generate real property tax revenue to counties which supports important public investments. It is revenue generated through real property taxation that allows Somerset County, NJ to support educational institutions such a Raritan Valley Community College and the Somerset County Vocational and Technical High School, as well as human resources investments in mental health and other services.

The commercial office market in Somerset County, NJ is significantly underperforming that of similar competing areas and there has been only 1 Grow NJ business attraction award in the county representing only 50 jobs.

To the extent that Grow NJ business incentives influence corporate site location decisions, and that, as McKinsey and Company observed in an analysis, the program is geography, not merit based; there is ample opportunity for legislative reforms which will level the playing field across areas of our state.

Recommendations

- There must be an employment retention component of any new business incentive program. Without a business retention component there is significant risk to intra-state business relocations that disadvantage one area over another.
- The "90 percent limiter" within the current Grow NJ program must be removed. The 90 percent serves only to create further disparities based on project geography as opposed to project merit.
- The Somerset County Regional center, the only multi-jurisdictional Regional Center under the State Development and Redevelopment Plan, should be recognized as a priority area for incentives related to job creation and private sector economic investment. In terms of the existing Grow NJ program, the Somerset County Regional Center should be classified as a Garden State Growth Zone.
- Each municipality in Somerset County, NJ having a rail station along the NJ Transit Raritan Valley Line should be recognized as an "Urban Transit Hub Municipality" as defined in the current Grow NJ program.

Somerset County, NJ has made significant investments in identifying and implementing strategies with a focus on job creation and private sector economic investment. The requested reforms will create a greater connection between local and state efforts.

Overview

In an ever-changing economy, state governments are forced to utilize every tool necessary to attract and retain jobs within their borders. While the State of New Jersey has utilized business attraction and retention incentives for years, the Great Recession[1] increased the need to develop creative business incentive programs in an effort to remain competitive, both globally and amongst neighboring states. As businesses faced added pressure to explore ways to cut costs and maximize efficiencies, the need for an aggressive business attraction and retention incentive program was necessary.

On September 18, 2013, then-Governor Chris Christie signed into law the Economic Opportunity Act of 2013, N.J.S.A. 34:1B-1 et seq. (the "EOA"). The EOA overhauled the State's existing business incentive programs by expanding the Grow New Jersey Assistance Program ("Grow NJ") and the Economic Redevelopment and Growth ("ERG") Program, while phasing out the Business Retention and Relocation Assistance Grant ("BRRAG"), the Business Employment Incentive Program ("BEIP"), and the Urban Transit Hub Tax Credit Program. The Grow NJ program was redesigned to become the State's main job attraction and retention incentive, while the ERG program would become the State's sole incentive for developers.

The EOA received broad bipartisan support in both houses of the legislature, ultimately passing the Senate by a vote of 35-1 and the Assembly by a vote of 71-6. Following

[1] The Great Recession was a period of general economic decline observed in world markets during the late 2000s and early 2010s

the Governor's signature, Senate President Steve Sweeney (D-Gloucester, Cumberland, and Salem) praised the EOA as a tool for economic growth, saying "this law will help create jobs and generate long-term growth throughout New Jersey."[2] Similarly, Assemblyman Jon Bramnick (R-Union, Morris, and Somerset) extolled the EOA as "a commonsense way to make New Jersey a more business-friendly state."[3] It also received support from both the New Jersey Business & Industry Association and the New Jersey State Chamber of Commerce, the leading business industry groups in the State.[4] Notably, of the 17 legislators currently representing Somerset County, support for the EOA was mixed–with 7 "yes" votes and 4 "no" votes.[5]

Since the implementation of the EOA, the Grow NJ program has been wildly popular and incredibly successful. To date, 250 projects have been approved, totaling over $4.7 billion in eligible tax credits. Once completed, the 250 projects will drive over $4.5 billion in private capital investment, create over 30,000 new jobs, and help retain over 36,000 jobs at risk of leaving the State.

The Grow NJ program has two main components. First, the program creates an incentive for businesses seeking to relocate to New Jersey. This makes up the new job attraction component of the program. The program also offers an incentive for businesses threatening to leave the State. This makes up the retained jobs component of the program. Notably, of the 11 total Grow NJ awards in Somerset County since 2013, only 1 project has been a new job attraction project (i.e., an out-of-state business relocating to New Jersey with the help of an incentive under the Grow NJ program). The remaining awards (i.e., 10 projects) have been some form of retention project.[6]

[2] Press Release, "Sweeny Statement on 'NJ Economic Opportunity Act' Becoming Law," 9/18/13

[3] Press Release, "Bramnick New Jersey Economic Opportunity Act now Law," 9/18/13

[4] Press Release, "NJBIA Applauds Enactment of the Economic Opportunity Act," 9/18/13, "Tax incentive overhaul arguments: More subsidies, or more opportunities," PolitickerNJ, 9/18/13

[5] LD16: Senator Christopher Bateman (Co-Sponsor) – YES, Assemblyman Roy Freiman – New to Legislature, Assemblyman Andrew Zwicker – New to Legislature. LD17: Senator Bob Smith – YES, Assemblyman Joe Danielsen – New to Legislature, Assemblyman Joseph Egan – YES. LD21: Senator Tom Kean – YES, Assemblyman Jon Bramnick (Prime Sponsor) – YES, Assemblywoman Nancy Munoz (Co-Sponsor) – YES. LD22: Senator Nicholas Scutari – NO VOTE, Assemblyman James Kennedy – New to Legislature, Vacant Assembly Seat. LD23: Senator Michael Doherty – NO, Assemblyman John DiMaio – NO, Assemblyman Erik Peterson – NO. LD25. Senator Anthony Bucco – NO VOTE, Assemblyman Anthony Bucco (Prime Sponsor) – YES, Assemblyman Michael Patrick Carroll – NO.

[6] While a portion of the 10 retention projects have had a new job component (i.e., the business would retain a certain number of jobs and add additional employees, for the purpose of this analysis, projects have been classified as new or retained. The issue examined here is whether the 90 percent limiter creates a disadvantage in the ability to attract new businesses to Somerset County (i.e., new job projects).

While the new job attraction component of the Grow NJ program has not been an effective tool for attracting new businesses to the County, the retention component of the program has played a significant role in helping the County retain numerous businesses and thousands of jobs.

As outlined below, the size of an award under the Grow NJ program is largely based on a project's location. Urban municipalities throughout the State (classified as Garden State Growth Zones,[7] Urban Transit Hubs,[8] and Distressed Municipalities[9]) qualify for larger base credit amounts and additional bonus credits, while most of the State's suburban municipalities are classified as Priority Areas,[10] in which awards are limited to the lesser of a smaller base credit and additional bonus credits ("Gross Calculated Amount") or 90 percent of the withholding taxes generated at the project location ("90 Percent Limiter"). While the term "Priority Area" may lead some to believe that projects in these areas would qualify for significant incentives under the program, as shown below, they are, in fact, the second lowest designation, ahead of only "Other Eligible Area." This seemingly minor clause within the statute creates a significant disadvantage for most suburban municipalities' ability to attract new businesses and new jobs, as awards subject to the 90 Percent Limiter can be greatly reduced, and therefore, less attractive to businesses seeking to relocate. Importantly, Somerset County is made up almost entirely of municipalities designated as Priority Areas (Manville Borough, a Distressed Municipality, is the only municipality in the entire county designated as anything other than a Priority Area).

[7] G arden State Growth Zone Municipalities: Paterson, Passaic, Trenton, Camden, and Atlantic City.

[8] Urban Transit Hub Municipalities: Bridgeton, East Orange, Elizabeth, Hoboken, Jersey City, Mount Holly, New Brunswick, Newark, Salem City, West New York.

[9] "Distressed municipality" means a municipality that is qualified to receive assistance under P.L. 1978, c. 14 (N.J.S.A. 52:27D-178 et seq.), a municipality under the supervision of the Local Finance Board pursuant to the provisions of the Local Government Supervision Act (1947), P.L. 1947, c. 151 (N.J.S.A. 52:27BB-1 et seq.), a municipality identified by the Director of the Division of Local Government Services in the Department of Community Affairs to be facing serious fiscal distress, an SDA municipality, or a municipality in which a major rail station is located. Currently, there are 65 Distressed Municipalities throughout the State.

[10] "Priority area" means the portions of the qualified incentive area that are not located within a distressed municipality and which: are designated pursuant to the State Planning Act, P.L. 1985, c. 398 (N.J.S.A. 52:18A-196 et seq.), as Planning Area 1 (Metropolitan), Planning Area 2 (Suburban), a designated center under the State Development and Redevelopment Plan, or a designated growth center in an endorsed plan until June 30, 2013, or until the State Planning Commission revises and readopts New Jersey's State Strategic Plan and adopts regulations to revise this definition; intersect with portions of a deep poverty pocket, a port district, or were Federally owned land approved for closure under a Federal Commission on Base Realignment and Closure action; are the proposed site of a disaster recovery project, a qualified incubator facility, a highlands development credit receiving area or redevelopment area, a tourism destination project, or transit oriented development; or contain a vacant commercial building having over 400,000 square feet of office, laboratory, or industrial space available for occupancy for a period of over one year; or a site that has been negatively impacted by the approval of a "qualified business facility," as defined pursuant to section 2 of P.L. 2007, c. 346 (N.J.S.A. 34:1B-208).

Clearly, there was a specific policy rationale behind designing the Grow NJ program to drive new job growth to urban municipalities. By definition, incentives are meant to affect behavior, and the Grow NJ program has done exactly what it was intended to do, with great success. By offering larger incentives to businesses willing to locate in urban municipalities, the State has driven new jobs and capital investment into these areas. While encouraging the growth of urban municipalities throughout the State is a rational policy objective, it can be argued that suburban municipalities have not had a chance to compete for new businesses and new jobs due to the overwhelming disparity in the size of incentive awards.

While some may argue that suburban municipalities do not need incentives to attract new businesses, data obtained through CoStar suggests that commercial office vacancy rates are high throughout the State. In fact, the vacancy rate for commercial office space in Somerset County is 13.3 percent, one percentage point higher than the vacancy rate for commercial office space along the Hudson County Waterfront (i.e., Jersey City, Hoboken, etc.). Notably, when looking at the 5-year average, the Hudson County Waterfront has a vacancy rate of 9.5 percent, which is 3.8 percent lower than that of Somerset County (which based on the 5-year average has a vacancy rate of 13.3 percent) .[11]

This memorandum will focus solely on the Grow NJ program. The program has been the focus of critique in recent years. While the current governor has generally voiced support for targeted incentives, he has indicated a need to reexamine the EOA (specifically, the Grow NJ program) and make changes to reflect the administration's desire for sustainable economic growth throughout New Jersey. In light of this, it is likely that the current administration will encourage the legislature to modify the Grow NJ program when the EOA expires in July of 2019.

The purpose of this memorandum is to provide a broad overview of the Grow NJ program and communicate options for making a good program even better. This overview will further provide details related to the calculation of awards in all areas of the State, and will discuss the 90 Percent Limiter for suburban municipalities, which greatly restricts the ability of suburban counties (including Somerset County) to attract new businesses and new jobs through the use of incentives.

[11] CoStar Report, Commercial Office Vacancy in Somerset County and the Hudson County Waterfront, Q2 2018.

To highlight this issue, the memorandum will then provide two hypothetical site selection scenarios. Lastly, the memorandum will outline two specific recommendations for Somerset County-based legislators to consider when the legislature begins to debate the next round of incentives, including the elimination of the 90 Percent Limiter for projects involving new businesses relocating to the State, irrespective of location, and the importance of maintaining the retention component of the Grow NJ program, which has been an important tool in Somerset County's ability to retain businesses.

I. Grow New Jersey Assistance Program (Overview)

Created under the EOA and administered through the New Jersey Economic Development Authority ("NJEDA"), Grow NJ is New Jersey's main job creation and retention incentive program. Determination of the size of an award is based on the project's location, the corresponding capital investment, and the jobs created and/or retained at the proposed New Jersey project site. N.J.A.C. 19:31-18.2. Importantly, applicants also must generally demonstrate that the project will yield a net positive benefit to the State of at least 110% of the requested tax credit amount. N.J.A.C. 19:31- 18.3(a)3ii.

Businesses meeting the Program's eligibility criteria may be eligible for tax credits, to be applied against New Jersey Corporate Business Tax and Insurance Premium Tax liability for no more than 10 years, with base credits ranging from $500 to $5,000 per job, per year;

and bonus credits ranging from $250 to $5,000 per job, per year. The business must agree to maintain employment levels in the New Jersey project site for 1.5 times the eligibility period. N.J.S.A. 34:1B-243. Thus, if a business receives a 10-year award under the program, the business would be required maintain the incentivized jobs in New Jersey for 15 years.

If an application is approved by the NJEDA, "the project approval is subject to the terms and conditions of the approval letter and incentive agreement, and any benefits under the program are subject to the completion of the project and satisfaction of the capital investment and employment qualifications required for the Grow New Jersey tax credits." N.J.A.C. 19:31-18.7(d)(1). In other words, Grow NJ is a performance-based program. Businesses do not receive tax credits from the State until they have certified the award (i.e., they have satisfied the employment and capital investment benchmarks outlined in contract between the business and the State, also known as an Incentive Agreement. In general, the certification with respect to capital investment and employment must be submitted within three years following the date of approval of the application. N.J.A.C. 19:31-18.7(f)(3). In limited cases, the Authority may grant two six-month extensions. *Id.*

Program Eligibility

To qualify under the Grow NJ program, a project must (a) be located in an area eligible for incentives, (b) create and/or retain a certain number of full-time jobs, and (c) spend the applicable capital investment required under the program.

a. Qualified Incentive Area, Tax Credit Amounts, and Limiters

An eligible project must be located in "Qualified Incentive Area." N.J.A.C. 19:31-18.2. While the program applies to projects statewide, the size of the incentive award is largely based on the project's location. The project location will determine the eligible base tax credit. The chart below outlines the Qualified Incentive Areas, the base tax credit and bonus credits available, and tax credit limits associated with the project location.

Qualified Incentive Area	Base Tax Credit (per job, per year)	Bonus Credits (per job, per year)	Max Amount *(per new or retained FT job, per year)*	Annual Amount *(applied annually)*
Garden State Growth Zone	$5,000	$250-$5,000	$15,000	$30 million ($35M for projects in Camden and Atlantic City)
Urban Transit Hub Municipality	$5,000	$250-$3,000	$12,000	$10 million
Distressed Municipality	$4,000	$250-$3,000	$11,000	$8 million
Priority Area	$3,000	$250-$3,000	$10,500	$4 million
Other Eligible Area	$500	$250-$3,000	$6,000	$2.5 million

Notably, as discussed briefly above, for a project located in a "Priority Area" or "Other Eligible Area," the tax credit award will be the lesser of the calculated gross amount (base + bonuses) ("Gross Calculated Amount") or 90 percent of the withholdings taxes withheld by the business from the wages of full-time employees located at the New Jersey project site ("90 Percent Limiter"). The 90 Percent Limiter withholding calculation is based on estimated median annual salaries of employees to be located at the New Jersey project site, but in reality, the actual withholding taxes can vary based on multiple factors.

For projects involving the retention of a New Jersey-based business, for each retained full-time job, the business's tax credits will be limited to the lesser of 50 percent of the Gross Calculated Amount for each retained full-time job or one-tenth of the capital investment, which will be the lesser of actual capital investment or the business's proposed amount approved at application, divided by the number of retained and new full-time jobs per year over the grant term of ten years ("Capital Investment Limiter"). N.J.A.C. 19.31-18.8(e)(2). For a retention project located in a Priority Area, the award will be further limited to the lesser of the Gross Calculated Amount, the Capital Investment Limiter, or the 90 Percent Limiter.

b. Job Creation

To be eligible, the program requires that the applicant business must create and/or retain a minimum number of full-time jobs. To qualify as a "full-time job" under the Program, an employee must generally work thirty-five (35) hours per week, spend at least 80 percent of his or her time at the proposed New Jersey project site, and be offered health benefits. N.J.A.C. 19:31-18.2. The minimum threshold of full-time jobs varies based on industry. N.J.S.A. 34:1B-244(c)(1-3). The chart below outlines the minimum full-time employment requirements:

Minimum Requirement Full-Time (FT) Employment	New/Retained Jobs
Tech Start Ups and Manufacturing Businesses	10/25
Other Targeted Industries[12]	25/35
All Other Businesses/Industries	35/50

Finally, the minimum employment requirements are reduced by twenty-five percent (25%) for projects located in Garden State Growth Zone municipalities or projects located within Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean, or Salem counties. N.J.A.C. 19:31-18.3(a)(2).

c. Capital Investment

In addition to the job creation/retention requirement, the premises which the business occupies (owns or leases) must meet the following capital investment requirement per square foot of gross leasable space. N.J.S.A. 34:1B-244b(1)-(4). Please note, in a Garden State Growth Zone, determination of what qualifies as a capital investment is greatly expanded.

[12] Targeted Industries: Transportation, Manufacturing, Defense, Energy, Logistics, Life Sciences, Technology, Health, and Finance.

Minimum Requirements Capital Investment	Investment/Square Foot
Industrial, Warehousing, Logistics, R&D-Rehabilitation Projects	$20 per square foot
Industrial, Warehousing, Logistics, R&D-New Construction Projects	$60 per square foot
Office-Rehabilitation Projects	$40 per square foot
Office-New Construction Projects	$120 per square foot

Minimum capital investment requirements are reduced by one-third for projects located in Garden State Growth Zone municipalities or projects located within Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean, or Salem counties. N.J.A.C. 19:31-18.3(a)(1).

2. Conditions of Approval

a. Material Factor

The award of tax credits under the program must be a "material factor" in the business's decision to create and/or retain the minimum number of full-time jobs at the proposed New Jersey project site. In making this determination, the NJEDA takes into consideration the geographic or regulatory constraints of a project and a full economic analysis (provided by the business) of the in-State and out-of-State alternatives under consideration. N.J.A.C. 19:31-18.3(a)3iii.

b. Duty to Maintain Jobs

Following certification, if, in any tax period during the eligibility period (1.5 times the length of the award), the number of certified full-time employees employed by the business at the New Jersey project location drops below 80 percent, then the business will forfeit its credit amount for that tax period and each subsequent tax period until the first tax period for which documentation demonstrating the restoration of the number of full-time employees has risen above the 80 percent threshold.

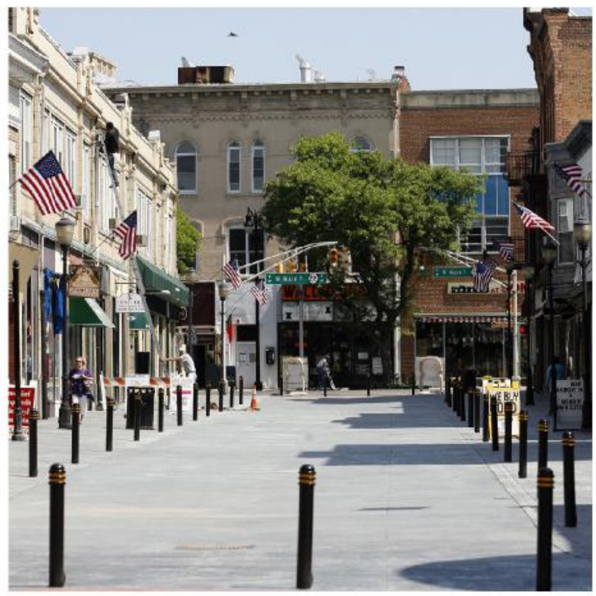
Moreover, should the business fail to maintain 80 percent of the certified full-time employees for two consecutive years, such failure will constitute an event of recapture, potentially leading to the business's forfeiture of the award. N.J.A.C. 19:31-18.15(b).

In addition to the requirement that the business maintain 80 percent of the certified full-time employees employed by the business at the New Jersey project site, the business is also required to maintain 80 percent of its statewide workforce. In the event that the business fails to do so, the business will forfeit its credit amount for that tax period and each subsequent tax period, until the first tax period for which documentation demonstrating the restoration of the number of full-time employees to at least the statewide minimum (80 percent).

II. Site Selection Hypothetical(s)

The purpose of this section is to provide two hypothetical site selection scenarios. As you will see, the disparity in incentive awards available for new job attraction projects is significant.

a. Corporate Relocation - Jersey City Waterfront vs. Somerville



For purposes of this example, we will assume the following:

A financial technology firm is currently located in Midtown Manhattan (NYC). In an effort to minimize costs, the business has decided that it will relocate from its current location to a new space in either Long Island City, New York or one of multiple locations in New Jersey. After a significant amount of due diligence, the business has narrowed its New Jersey site selection search to two facilities. The first is located on the Jersey City Waterfront. The second is located in Somerville.[13] At either location, the business plans to hire 200 new full-time jobs with a median annual salary of $75,000. The business plans to spend approximately $2,000,000

[13] For the purposes of this analysis, we will assume that the Somerville facility is within ½ mile from the Somerville train station.

to customize 20,000 square feet of commercial office space. In an effort to narrow the search down to a final New Jersey location, the business would like to further understand the incentives available for both locations. Based on the current Grow NJ program guidelines, the business would potentially be eligible for the following:

	Jersey City Waterfront	**Somerville (Downtown)**
Base Credit	$5,000	$3,000
Bonus Credit (transit oriented development)	$2,000	$2,000
Bonus Credit (targeted industry)	$500	$500
Annual Credit Per New Job	$7,500	$5,500
Total Grow NJ Award (over 10 years)	**$15,500,000**	**$4,108,500** (90% Limiter applies)

After reviewing the incentives analysis, the business decides to eliminate Somerville as a viable option. While the Grow NJ award in Somerville would have equaled $11,000,000 based on the Grow NJ Gross Calculated Amount, the 90 Percent Limiter decreased the size of the award by over 60 percent. Without the 90 Percent Limiter, the Grow NJ award would have been significant, and would have allowed the business to consider additional factors related to the Somerville facility. However, since an award in Somerville would be more than 73 percent less than a potential award in Jersey City, the business chooses to limit its consideration to the Jersey City location.

b. E-Commerce Distribution Center - Perth Amboy vs Bridgewater

For purposes of this example, we will assume the following:

A national e-commerce business is planning to develop a state-of-the-art fulfillment center to service the Northeast. The business has decided that the new fulfillment center will be located in either Bethlehem, Pennsylvania or one of two locations in New Jersey. After months of due diligence, the business has narrowed its New Jersey search to Bridgewater and Perth Amboy.

Both locations offer significant advantages, including easy access to interstate highways and labor. At either location, the business plans to hire 700 new full-time jobs with a median annual salary of $45,000. The business plans to spend approximately $40,000,000 to develop a 300,000 square foot fulfillment center. In an effort to narrow the search down to a final New Jersey location, the business would like to further understand the incentives available for both locations. Based on the current Grow NJ program guidelines, the business would potentially be eligible for the following:

	Perth Amboy	**Bridgewater**
Base Credit	$4,000	$3,000
Base Credit (Large # of New/Retained Jobs)	$1,000	$1,000
Annual Credit Per New Job	$5,000	$4,000
Total Grow NJ Award (over 10 years)	**$35,000,000**	**$5,985,000** (90% Limiter applies)

After reviewing the incentives analysis, the business decides to eliminate Bridgewater as a viable option. While the Grow NJ award in Bridgewater would have equaled $28,000,000 based on the Grow NJ Gross Calculated Amount, the 90 Percent Limiter decreased the size of the award by over 78 percent. Without the 90 Percent Limiter, the Grow NJ award would have been significant, and would have allowed the business to consider additional factors related to the Bridgewater facility. However, since an award in Bridgewater would be more than 82 percent less than a potential award in Perth Amboy, the business chooses to limit its consideration to the Perth Amboy facility.

c. Next Steps

The Grow NJ program is set to expire in July of 2019. In anticipation of any potential changes to the program, the following recommendations should be considered by elected officials representing Somerset County.

(a) Eliminate the 90 percent limiter for projects involving businesses relocating to New Jersey and creating new jobs, irrespective of where the business chooses to locate within the State.

The 90 Percent Limiter applies to projects located in Priority Areas. Priority Areas make up a large portion of the suburban municipalities throughout New Jersey, including every municipality in Somerset County, with the exception of Manville Borough.[14] It is important to note the "Priority Areas" are the second lowest tier of qualification within the Grow NJ program, ahead of only "Other Eligible Area." As described in detail above, the 90 Percent Limiter can have a significant impact on a business making a corporate site selection decision based on incentives. By eliminating the 90 Percent Limiter for projects involving businesses relocating to New Jersey and creating new jobs, municipalities located within Somerset County would have a chance to compete for these projects. To be clear, the Grow NJ program is working as intended. By creating significantly larger incentives for projects located in urban municipalities, the incentives are affecting behavior–more businesses are choosing urban municipalities for corporate relocation projects. However, the disparity in the size of awards has negatively impacted Somerset County's ability to compete for new businesses and new jobs.

It is worth noting that this recommendation will not eliminate the ability of businesses to qualify for larger incentive awards for projects in urban municipalities, as we understand the rationale behind such a policy. (Notwithstanding the 90 Percent Limiter, projects based in urban municipalities qualify for larger incentive awards based on the Gross Calculated Amount). However, by eliminating the 90 Percent Limiter, the incentive awards available for new job projects in Somerset County would be significantly larger, thus allowing the County (and other Priority Areas throughout the State) to realistically compete for these projects.

[14] Manville Borough is designated as a Distressed Municipality.

(b) Maintain the retention component of the Grow NJ program in an effort to guard against businesses leaving the State.

The retention component of the Grow NJ program has played a significant role in helping to retain large corporations in suburban areas throughout the State, including Somerset County. In fact, of the 11 Grow NJ projects in Somerset County since 2013, 10 have been retention projects (i.e., businesses threatening to leave the State). These projects have resulted in the retention of 4,877 full-time jobs and over $390 million in private capital investment. It is essential that, regardless of any other changes to the Grow NJ program, the retention component of this program remain intact. Technological advances, along with a recent increase in the State's Corporate Business Tax rate, have made New Jersey less competitive. More than ever, this component of the program is critical. It must remain.

d. Conclusion

Somerset County, NJ has invested significantly in creating opportunities for job creation and private sector economic investment. The requested changes to the Grow NJ program will recognize the work of the Somerset County Planning Board in establishing Priority Growth Investment Areas as part of the County Investment Framework and the federally approved Somerset County, NJ Comprehensive Economic Development Strategy; A Collaborative Blueprint for Economic Growth which are adopted elements of the County Master Plan.

Additionally, the Somerset County Regional Center, a designated center under the NJ State Development and Redevelopment Plan encompassing the boroughs of Raritan and Somerville and the Township of Bridgewater, has adopted a strategic plan connected to the Somerset County Investment Framework with a focus on job creation and private sector economic investment, along with other infrastructure and quality of life components. In summary, our local job creation and private sector economic investment strategies and planning deserve to be connected to State of New Jersey business incentive programs. This connection can only occur with the support of state elected officials representing our region.

The Grow NJ program will expire in less than one year. Now is the time for Somerset County to take proactive steps to ensure that the interests of the County are protected in the next round of incentives legislation. The hope is that this memorandum makes two things clear–Somerset County, and other Priority Areas throughout the State, are at a distinct disadvantage when competing for new businesses and new jobs, due to the 90 Percent Limiter, and the need to maintain the retention component of the program is critical, as it has directly resulted in the retention of nearly 5,000 jobs in Somerset County since 2013.

The State's business attraction and retention incentives should give every municipality throughout the State a chance to compete for jobs. While the Grow NJ program has worked as intended, and has delivered promising results, the current program limits Somerset County's ability to compete and should be changed to reflect the State's desire to increase jobs and private capital investment throughout New Jersey.