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Governor Murphy Announces New and Revamped Tax Incentive Programs

Last week, New Jersey Governor Phil Murphy introduced his new economic agenda, including several new and revamped tax incentive programs.

Gov. Murphy's economic development "master plan" outlined four basic pillars: investment in people, investment in communities, building up the innovation economy, and streamlining application processes and bureaucracies. Importantly, these pillars and the economic plan provide for investment into the state's urban centers by creating new incentive programs and overhauling the Grow New Jersey (Grow NJ) and Economic Redevelopment and Growth (ERG) programs.

The new tax incentive programs include a new tax credit tied to "Brownfields" cleanups and a historic preservation project tax credit. Brownfields consist of vacant commercial and industrial sites that have been contaminated or are suspected to contain environmental contamination. The governor is proposing a remediation and redevelopment tax credit and a dedicated loan fund through the Economic Development Authority to incentivize cleaning up and developing such sites. The governor is also proposing a new Historic Preservation Tax Credit program, which would complement the existing federal programs, to assist with rehabilitating historic sites into housing or mixed-use developments.

Because the Grow NJ and ERG programs are scheduled to sunset on July 1, 2019, the governor also introduced two new programs that would revamp Grow NJ and ERG. The NJ Aspire program would be a place-based gap financing tool to aid in developing underutilized, abandoned or vacant lots into job- and tax-generating development, with a focus on cities, downtowns and suburban neighborhoods served by mass transit. NJ Aspire would be structured as a competitive tax credit grant funded through the Economic Development Authority, awarded to the most impactful and development-ready plans. NJ Forward is the governor's proposal to revamp the Grow NJ program by preserving the best features of the existing program and making important fiscal and economic reforms. The goals of NJ Forward include focusing on high-wage, high-growth sectors, prioritizing new job creation, and rewarding companies that invest in employee skill development. The program will also include an annual award cap and review to ensure fiscal sustainability.

Although it is not a state program, the governor anticipates utilizing the federal Opportunity Zone program, which will give private investors preferential treatment for spending in distressed neighborhoods. New Jersey has identified 169 "opportunity zones," and the state created a zone-mapping tool so that municipalities and private investors can take advantage of the program once final rules are in place.

While these programs are proposals that still require legislative approval, they offer a glimpse into the governor's vision for the future of commercial real estate development in New Jersey.

Should you have any questions concerning the development of these proposals or real estate matters in general, please contact the authors of this alert or any of the Day Pitney real estate team.

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