

# BUSINESS INCENTIVES PRACTICE

## MAJOR INCENTIVE PROGRAMS NEW JERSEY

A Cushman & Wakefield Global Business Consulting Publication



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### BUSINESS INCENTIVES PRACTICE

The Business Incentives Practice (“BIP”) strategically assists companies through the process of securing optimal incentive packages for projects considering an expansion, consolidation, or relocation. BIP leverages a project’s unique strengths and benefits to identify, negotiate, and implement all feasible economic development or government incentives (“Incentives”) opportunities. Moreover, BIP provides ongoing support and administration for a project to address any issues that may arise. By engaging BIP to work in parallel to the site selection team, businesses can have assurance that the optimal level of Incentives is secured and realized.

#### SERVICES

BIP’s mission is to develop a strategy that enhances business performance, while reducing a project’s up-front capital and ongoing operational costs through the procurement of Incentives. Many businesses are not aware they may be entitled to Incentives benefits for certain expansion, consolidation, and relocation activities. BIP identifies said opportunities through a multifaceted methodology that begins with careful analysis of project-specific data. The process continues with a detailed due diligence on all aspects of site-specific Incentives opportunities and concludes with the negotiation, implementation, and administration of Incentives.

#### RESULTS

BIP has successfully secured Incentives packages for a broad range of clients globally. The BIP team maintains a robust incentives database and along with its vast experience it facilitates the best possible results for a project. Since its inception, BIP professionals have negotiated in excess of \$3.0 billion in savings for its clients.



### KEY PROJECT TYPES

BIP enables its clients to identify, negotiate, and quantify the myriad of incentives available through the federal, state, and municipal governments, as well as utilities service providers. BIP clients represent all industry sectors, ranging in size from Fortune 100 corporations to private owners, occupiers and developers. Almost any type of corporate location initiative can benefit from the use of C&W’s Business Incentives Practice:

- Corporate Headquarters Facilities
- Manufacturing Facilities
- R&D Centers
- Warehouse and Distribution Facilities
- Call Centers
- Data Centers
- Back-Office Centers
- Mixed-Use Developments

### NEW JERSEY’S RECENTLY AWARDED INCENTIVES (USD M)

COMPANY	INVESTMENT	JOBS	INCENTIVES
Seldat	N/A	1,050	\$51.5
Brown Brothers Harriman	N/A	435	\$19.4
New York Life Insurance	N/A	325	\$33.9
Volunteers of America Del. Valley	N/A	65	\$6.3
York Risk Services Group	\$2.2	44	\$3.2
Solvay	\$10.3	35	\$9.7
Radical Cosmetics	\$0.9	30	\$2.3
Physician and Tactical Healthcare	\$1.0	40	\$3.3
GGB	\$4.1	36	\$3.3
Direct Energy	\$5.5	115	\$10.2
Just Greens	\$19.3	69	\$6.6
Makers Village	\$25.1	78	\$2.2

## OVERVIEW OF MAJOR NEW JERSEY INCENTIVE PROGRAMS

### “GROW NJ” BUSINESS INCENTIVE PROGRAM

Grow NJ offers a business owner/tenant of a qualified business facility that satisfies certain minimum capital investments and creates/retains a minimum number of full time jobs, a per employee tax credit that can be applied toward the employer’s Corporate Business Tax obligation annually for up to ten years. The program is meant to replace the Business Retention and Relocation Assistance Grant (BRRAG) and the Business Employment Incentive Program (BEIP). The applicant for the tax credits is the business owner/tenant as the purpose of the program is to attract new businesses to the State. In order to do this, the legislation lowers the amount of previously-required capital investment and new or retained employee thresholds based upon the type of premises, type of industry and location of the project. Determining whether a business is eligible for tax credits and how much is a complex analysis. Below is a short-hand primer on this process; we are available to provide further guidance:

#### CAPITAL INVESTMENT

To qualify under the Grow NJ program, a business is required to make the following per square foot of gross leasable space capital investment in the following amounts:

- For the rehabilitation of an existing industrial project: \$20 per square foot
- For the new construction of an industrial project: \$60 per square foot
- For the rehabilitation of an office project: \$40 per square foot
- For the new construction of a non-industrial project: \$120 per square foot

The capital investment threshold can be met through expenses used for site acquisition (if purchased within 24 months of the application), site preparation and construction, repair, renovation, improvement, equipping and furnishing real property as well as the cost of obtaining and installing furnishings and machinery, apparatus and equipment. The minimum capital investment requirement for projects located in a Growth Zone or 8 southern counties would be reduced by 1/3.

#### JOB CREATION/RETENTION

A business is also required to either employ new employees or retain jobs that are at risk of leaving the state in the following minimum amounts:

- For technology startups or manufacturing businesses: 10 new or 25 retained
- For targeted industries including transportation, defense, energy, logistics, life sciences, technology, health and finance: 25 new or 35 retained
- For all other business and industries: 35 new or 50 retained

# New Jersey shows an average deal value of \$16.64 million with 166 new jobs created per deal

The minimum of net new or retained full-time jobs for projects located in a Growth Zone or 8 southern counties would be reduced by 1/4.

#### TAX CREDIT AWARD

Upon meeting the threshold requirements, a business may be entitled to a tax credit applicable to New Jersey state corporate business tax, insurance company tax and franchise tax. In the event that a qualifying business does not have sufficient tax liability to make use of the credits, Grow NJ allows the business to sell the credits for an amount not less than 75% of the transferred credit amount pursuant to procedures established in the statute. C&W-BIP has additional information about the sale of these credits.

The tax credits are calculated on a per job/per year basis in the following base amounts based upon the geographic location of the qualifying business facility:

- Category 1: Mega Project, Urban Transit Hub Municipality or Garden State Growth Zone (Camden, Passaic, Paterson, Trenton, and Atlantic City) - \$5,000 per job/per year
- Category 2: Distressed Municipality (approximately 50 municipalities) - \$4,000 per job/per year
- Category 3: Priority Area (including metropolitan and suburban areas) - \$3,000 per job/per year
- Category 4: Other Eligible Areas - \$500 per job/per year

#### PER EMPLOYEE ANNUAL CAPS:

- Mega Project: \$15,000 (annual aggregate for all employees is \$30M)
- Growth Zone: \$15,000 (annual aggregate for all employees is \$30M)
- Hub projects: \$12,000 (annual aggregate for all employees is \$10M)

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- Distressed Municipality: \$11,000 (annual aggregate for all employees is \$8M)
- Other Priority Areas: \$10,500 (annual aggregate for all employees is \$4M, but cannot be more than 90% of the employer withholding taxes of the business)
- Other eligible areas: \$6,000 (annual aggregate for all employees is \$2.5M, but cannot be more than 90% of the employer withholding taxes of the business)
- Disaster recovery areas: \$2,000

Bonus tax credits may also be awarded for businesses that fall into the following categories

- Businesses that result in job creation or retention of 250 or more jobs
- Businesses that pay average salaries that are 35% higher than the surrounding county average
- Business that are located near public transit are considered Mega Projects
- Businesses that develop workforce housing for employees located in the qualifying business facility
- Businesses that achieve a certain level of LEED certification
- Businesses that undertake environmental remediation in conjunction with the development or redevelopment of a qualifying business facility

### ECONOMIC REDEVELOPMENT AND GROWTH (ERG) PROGRAM

Under the ERG program, a developer that can demonstrate that its project requires a subsidy in order to close a project financing gap may apply for an incentive grant in an amount up to 75% of the annual incremental tax revenues generated by the project over a 20 year period. Because an ERG grant is based upon tax revenues; retail projects benefit the most from the program (with the exception of the new residential ERG program which will be discussed below). If the project is within the Garden State Growth Zone, 85% of the projected annual incremental revenues may be pledged toward the award. Under the program, the grant cannot exceed 20% of the total cost of the project and a developer must make a 20% equity investment. Project costs include costs incurred by the developer, until issuance of a permanent certificate of occupancy, relating to lands, buildings, improvements, personal property, construction and environmental remediation, but excluding costs that have received federal, State or local funding.

There are other eligibility criteria including: (a) the project must be located in a qualifying area<sup>1</sup>, (b) construction has not started, and (c) the ERG would result in net benefits to the municipality and/or State.

to 10% of project costs, i.e. permitting a maximum award of 30% of project costs, if the developer can meet any one of several criteria. A project meeting one of the following criteria are eligible for a bonus: (a) supermarket in distressed municipality without adequate access to fresh foods, (b) a health care facility in a distressed municipality without adequate access to such services, (c) project in a distressed municipality pursuant to a federal contract, (d) a transit project, (e) a residential project with a 10% set aside for moderate income housing, (f) located in a highland development area, (g) located in a Growth Zone, (h) a disaster recovery project, (i) an aviation project, (j) a tourism destination project, or (k) substantial rehabilitation of an existing structure.

The new Act does not change the existing requirement that any residential project receiving an ERG grant must have a 20% set aside for low and moderate income housing.

The legislation authorizes NJEDA to award up to \$600 million in new tax credits to developers for qualified residential projects under the restructured ERG program. For a residential project receiving an ERG, if the estimated amount of incremental revenues pledged toward the incentive grant is inadequate to fully fund the amount of the incentive grant, then NJEDA will award the developer tax credits equal to the full amount of the incentive grant. Tax credits awarded for a qualified residential project will undergo the same financial analysis as NJEDA uses in the Urban Transit Hub Tax Credit (UTHTC) program. Thus, there is a basis to conclude that NJEDA would be authorized to issue tax credits up to 35% of the eligible project costs (capital investment under N.J.S.A. 34:1B-209.3). However, this conflicts with a separate provision of the legislation, discussed above, that the maximum amount of an ERG grant is 20% of project costs with an additional 10% if a bonus criterion is satisfied.

### WORKFIRST NEW JERSEY ON-THE-JOB TRAINING (OJT) PROGRAM

The WorkFirst New Jersey On-the-Job Training (OJT) program offers a company up to half of its new employees' gross wages for up to 26 weeks to help defray the costs of their training. An eligible participant is someone who is receiving public assistance. NJEDA will offer pre-screened job applicants from its employment & training programs. Interviewing and hiring decisions remain with the company. Trainees must be paid the higher of \$8.50 per hour or the state or federal minimum wage and training must be for at least four weeks (20 working days), but not longer than six months (130 working days), depending

<sup>1</sup> Qualifying areas include, but are not limited to, Planning Area 1 (Metropolitan), Planning Area 2 (Suburban), designated Centers under the State Redevelopment Plan, an area zoned for redevelopment by the NJ Meadowlands Commission, and areas owned by the NJ Sports and Exposition Authority within the Hackensack Meadowlands District

The legislation would authorize NJEDA to grant a bonus incentive of up to 10% on the complexity of skills to be learned. Positions must be full time and permanent.

## OTHER NEW JERSEY INCENTIVE PROGRAMS

- Edison Innovation Clean Energy Manufacturing Fund (CEMF)
- Edison Innovation Fund-Growth Programs
- Edison Innovation Zones
- Energy Sales Tax Exemption for Certain Counties
- Energy Efficiency and Conservation Block Grants
- Large Scale Combined Heat and Power-Fuel Cells Program
- Local Government Energy Audit
- New Jersey Smartstart Buildings Program
- Par for Performance
- Renewable Energy Incentive Program
- Solar Renewable Energy Certificate Registration Program
- Foreign Trade Zone
- Fund for Community Economic Development
- Main Street Business Assistance Program
- New Jersey Business Growth Fund
- New Jersey Global Growth Financing Program
- Small Business Fund
- Statewide Loan Pool
- Brownfield's and Contaminated Site Remediation Program
- Hazardous Discharge Site Remediation Fund (HDSRF)
- Petroleum Undergrounds Storage Tank Program
- Customized Training Grants
- Positive Recruitment
- Literacy Skills Grants
- Municipal Landfill Closure and Remediation Reimbursement Program
- New Jersey Manufacturing Extension Program (NJEP)
- New Jobs Investment Tax Credit
- Research and Development Tax Credit
- Registered Apprentice Incentive Program
- Sales and Use Tax Exemption Program
- Technology Business Tax Certificate Transfer Program
- Urban Enterprise Zones (UEZ)
- Online Enrollment in the Urban Enterprise Zone Program
- Direct Install

For more information, contact:

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