



MEMORANDUM

TO: Members of the Authority
FROM: Timothy Sullivan
Chief Operating Officer
DATE: August 10, 2018
SUBJECT: Agenda for Board Meeting of the Authority August 10, 2018

Notice of Public Meeting

Roll Call

Approval of Previous Month's Minutes

Chairman's Report to the Board

CEO's Report to the Board

Board Presentation

Authority Matters

Incentive Programs

Bond Projects

Loans/Grants/Guarantees

Office of Recovery

Real Estate

Board Memorandums

Executive Session

Public Comment

Adjournment

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

**502 BREWER AVENUE/CAREN FRANZINI WAY
OCEANPORT, NJ**

June 12, 2018

MINUTES OF THE MEETING

Members of the Authority present: Chairman Larry Downes, Patrick Mullen for Commissioner Marlene Caride of the Department of Banking and Insurance; Julie Diaz for Commissioner Robert Asaro - Angelo of Department of Labor and Workforce Development; Jim Kelly representing State Treasurer Elizabeth Muoio; Public Members Charles Sarlo, Massiel Medina Ferrara, Philip Alagia, Louis Goetting, Thomas Scrivo, and John Lutz, Third Alternate Public Member.

Present via conference call: Dan Ryan representing Commissioner Catherine McCabe of the Department of Environmental Protection; and Rodney Sadler, Non-Voting Member.

Absent: Mary Maples of the Executive Branch; and Public Members Fred Dumont, William Layton, and William J. Albanese, Sr., Second Alternate Public Member.

Also present: Timothy Sullivan, Chief Executive Officer of the Authority; Timothy Lizura, President and Chief Operating Officer; Deputy Attorney General Gabriel Chacon; Adam Sternbach, Governor's Authorities' Unit; and staff.

Mr. Downes called the meeting to order at 10 a.m.

Pursuant to the Internal Revenue Code of 1986, Mr. Lizura announced that this was a public hearing and comments are invited on any Private Activity bond projects presented today.

In accordance with the Open Public Meetings Act, Mr. Lizura announced that notice of this meeting has been sent to the *Star Ledger* and the *Trenton Times* at least 48 hours prior to the meeting, and that a meeting notice has been duly posted on the Secretary of State's bulletin board at the State House.

MINUTES OF AUTHORITY MEETING

The next item of business was the approval of the May 10, 2018 meeting minutes. A motion was made to approve the minutes by Mr. Goetting, and seconded by Mr. Mullen, and was approved by 7 of the 9 voting members present.

Mr. Scrivo abstained because he was not present for the meeting.

Mr. Lutz abstained because he was not present for the meeting.

FOR INFORMATION ONLY: The next item was the presentation of the Chairman's Report to the Board.

FOR INFORMATION ONLY: The next item was the presentation of the Chief Executive Officer's Monthly Report to the Board.

Mr. Kelly entered the meeting at this time.

FOR INFORMATION ONLY: The Authority intends to launch an Innovation Challenge initiative, offering eligible communities an opportunity to compete for planning funds.

BOARD PRESENTATION

Bruce Steadman, Executive Director; Dave Nuse, Deputy Executive Director; and Kara Kopach, Program Manager; FMERA; provided the board members with an update on the redevelopment progress and challenges of Fort Monmouth.

Mr. Ryan joined the meeting via conference call.

Jose Lozano, President/CEO, Choose NJ, introduced himself to the board members.

AUTHORITY MATTERS

ITEM: Real Estate Advisory Consulting Services Contract

REQUEST: Consent to enter into the First Amendment to Real Estate Advisory Consulting Servicing Contract with JLL to increase the contract.

MOTION TO APPROVE: Mr. Mullen **SECOND:** Mr. Scrivo **AYES:** 11

RESOLUTION ATTACHED AND MARKED EXHIBIT: 1

INCENTIVE PROGRAMS

ITEM: Review of Policies and Procedures of Incentive Programs

REQUEST: Approval is requested to direct Authority staff to undertake a review of the policies and procedures of the incentive programs approved under the Economic Opportunity Act of 2013.

MOTION TO APPROVE: Ms. Ferrara **SECOND:** Mr. Alagia **AYES:** 11

RESOLUTION ATTACHED AND MARKED EXHIBIT: 2

Grow New Jersey Assistance Program

ITEM: E*Trade Financial Corporation **APPL.#45002**

REQUEST: To approve the application of E*Trade Financial Corporation for a Grow New Jersey Assistance Program Grant to encourage the applicant to make a capital investment and locate in Jersey City, NJ. Project location of Jersey City, Hudson County qualifies as a Distressed Municipality under N.J.S.A. 34:1B-242 et seq and the program's rules, N.J.A.C. 19:31-18. The project is eligible, pursuant to the statute, for bonus increases to the tax credit award for Transit Oriented Development, Large Number of New/Retained F/T Jobs, Targeted Industry (Finance). The estimated annual award is \$2,008,000 for a 10-year term.

MOTION TO APPROVE: Mr. Lutz **SECOND:** Mr. Alagia **AYES:** 11

RESOLUTION ATTACHED AND MARKED EXHIBIT: 3

ITEM: Teva Pharmaceuticals USA, Inc.

REQUEST: To uphold the hearing officer's recommendation not to disqualify.

MOTION TO APPROVE: Mr. Scrivo **SECOND:** Ms. Diaz **AYES:** 11

RESOLUTION ATTACHED AND MARKED EXHIBIT: 4

ITEM: Teva Pharmaceuticals USA, Inc.

APPL.#44994

REQUEST: To approve the finding of jobs at risk.

MOTION TO APPROVE: Mr. Lutz **SECOND:** Mr. Mullen **AYES:** 11

RESOLUTION ATTACHED AND MARKED EXHIBIT: 5

ITEM: Teva Pharmaceuticals USA, Inc.

APPL.#44994

REQUEST: To approve the application of Teva Pharmaceuticals USA, Inc. for a Grow New Jersey Assistance Program Grant to encourage the applicant to make a capital investment and locate in Parsippany-Troy Hills, NJ. Project location of Parsippany-Troy Hills, Morris County qualifies as a Priority Area under N.J.S.A. 34:1B-242 et seq and the program's rules, N.J.A.C. 19:31-18. The project is eligible, pursuant to the statute, for bonus increases to the tax credit award for Jobs with Salary in Excess of County Average, Large Number of New/Retained F/T Jobs, Targeted Industry of Life Sciences. The estimated annual award is \$3,999,873 for a 10-year term.

MOTION TO APPROVE: Mr. Scrivo **SECOND:** Ms. Ferrara **AYES:** 11

RESOLUTION ATTACHED AND MARKED EXHIBIT: 6

Grow New Jersey Assistance Program- Modification

ITEM: GGB, LLC

APPL.#39591

REQUEST: Consent to a second six-month extension to complete the certification of cost and job requirements

MOTION TO APPROVE: Mr. Goetting **SECOND:** Mr. Mullen **AYES:** 11

RESOLUTION ATTACHED AND MARKED EXHIBIT: 7

ITEM: Insurance Services Office, Inc.

APPL.#40230

REQUEST: Consent to a second six-month extension to complete the certification of cost and job requirements

MOTION TO APPROVE: Mr. Scrivo **SECOND:** Mr. Goetting **AYES:** 11

RESOLUTION ATTACHED AND MARKED EXHIBIT: 8

ITEM: Just Greens, LLC dba Aerofarms

APPL.#39142

REQUEST: Consent to adding the re-purposed 16,375 sf show room space to the QBF.

MOTION TO APPROVE: Ms. Diaz **SECOND:** Mr. Mullen **AYES:** 10

RESOLUTION ATTACHED AND MARKED EXHIBIT: 9

Mr. Goetting abstained because his son works for the developer.

BONDS

Resolutions

ITEM: NJEDA/Transportation Project Sublease Revenue Bonds (New Jersey Transit Corporation Projects) 2018 Series A

REQUEST: To approve a preliminary resolution relative to the provision of financial assistance relative to the issuance of one or more series of Transportation Project Sublease Revenue Bonds and to approve the execution and delivery of a funding agreement with New Jersey Transit Corporation.

MOTION TO APPROVE: Mr. Scivo **SECOND:** Mr. Lutz **AYES:** 11

RESOLUTION ATTACHED AND MARKED EXHIBIT: 10

PROJECT: University Heights Charter School, Inc.

APPL.#44936

LOCATION: Newark City, Essex County

PROCEEDS FOR: Acquisition and Renovations of building

FINANCING: \$14,900,000 Tax-Exempt Bond; \$600,000 Taxable Bond

MOTION TO APPROVE: Mr. Lutz **SECOND:** Ms. Ferrara **AYES:** 11

RESOLUTION ATTACHED AND MARKED EXHIBIT: 11

PUBLIC HEARING: Yes

PUBLIC COMMENT: None

Preliminary Bonds

PROJECT: United Airlines

APPL.#45004

LOCATION: Newark City, Essex County

PROCEEDS FOR: Construction, Machinery & Equipment

FINANCING: \$180,000,000 Tax-Exempt Bond

MOTION TO APPROVE: Mr. Mullen **SECOND:** Mr. Lutz **AYES:** 11

RESOLUTION ATTACHED AND MARKED EXHIBIT: 12

LOANS/GRANTS/GUARANTEES

Hazardous Discharge Site Remediation Fund

ITEM: Summary of NJDEP Hazardous Discharge Site Remediation Fund Program projects approved by the Department of Environmental Protection.

MOTION TO APPROVE: Mr. Goetting **SECOND:** Mr. Mullen **AYES:** 11

RESOLUTION ATTACHED AND MARKED EXHIBIT: 13

PROJECT: Borough of Glassboro (Former Bill's Auto Radiator) APPL.#44991
LOCATION: Glassboro Borough, Gloucester County
PROCEEDS FOR: Remedial Investigation
FINANCING: \$60,638

PROJECT: Borough of Madison (Bayley Ellard Field) APPL.#44998
LOCATION: Madison Borough, Morris County
PROCEEDS FOR: Remedial Action
FINANCING: \$409,313 (75% Matching Grant)

OFFICE OF RECOVERY

Stronger NJ Business Loan- Modification

ITEM: Akamai Property Management, LLC APPL.#39568
REQUEST: Approval to increase an existing construction loan
MOTION TO APPROVE: Mr. Mullen **SECOND:** Ms. Ferrara AYES: 11
RESOLUTION ATTACHED AND MARKED EXHIBIT: 14

Stronger NJ Business Loan- Appeals

ITEM: Pride Products Manufacturing, LLC
REQUEST: Approve the recommendation to uphold the declination of the Stronger NJ Business Loan application.
MOTION TO APPROVE: Mr. Scrivo **SECOND:** Mr. Goetting AYES: 11
RESOLUTION ATTACHED AND MARKED EXHIBIT: 15

REAL ESTATE

ITEM: MOU Former Riverfront State Prison Site, Camden
THIS PROJECT WAS WITHHELD FROM CONSIDERATION.

ITEM: Purchase and Sale Agreement for Parcel F-1 in Tinton Falls
REQUEST: To authorize the execution of the Agreement to Assign the Purchase and Sale Agreement between the Authority, the Fort Monmouth Economic Revitalization Authority, and RWJ Barnabas Health, Inc. for an approximately 36.3-acre parcel in the Tinton Falls section of Fort Monmouth.
MOTION TO APPROVE: Mr. Lutz **SECOND:** Mr. Mullen AYES: 11
RESOLUTION ATTACHED AND MARKED EXHIBIT: 16

ITEM: Replacement Parking Lot Project, Camden

REQUEST: Approve a change order to the construction services contract with F.M. Schiavone Construction for additional services to complete the construction of the parking lot in Camden.

MOTION TO APPROVE: Mr. Mullen **SECOND:** Mr. Scrivo **AYES:** 10

RESOLUTION ATTACHED AND MARKED EXHIBIT: 17

Mr. Sarlo recused himself because F. M. Schiavone Construction, Inc. is a client of his firm.

BOARD MEMORANDUMS

FOR INFORMATION ONLY: Projects approved under Delegated Authority

Premier Lender Program:

PROJECT: Good Realty LLC

APPL.#44993

LOCATION: North Brunswick Township, Middlesex County

PROCEEDS FOR: Purchase of Building

FINANCING: \$832,500 bank loan with \$132,500 EDA participation

PROJECT: B. K. Foods, Inc.

APPL.#45003

LOCATION: New Providence, Union County

PROCEEDS FOR: Renovations and expansion of property/ purchase of land

FINANCING: \$4,275,000 bank loan with \$475,000 EDA participation

PUBLIC COMMENT

There was no public comment.

There being no further business, on a motion by Mr. Mullen, and seconded by Mr. Lutz, the meeting was adjourned at 11:38am.

Certification: The foregoing and attachments represent a true and complete summary of the actions taken by the New Jersey Economic Development Authority at its meeting.



Erin Gold, Director
Marketing and and Public Affairs
Assistant Secretary

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

July 25, 2018

MINUTES OF THE MEETING

Members of the Authority present: Chairman Larry Downes, Patrick Mullen representing Commissioner Marlene Caride of the Department of Banking and Insurance; Dan Ryan representing Commissioner Catherine McCabe of the Department of Environmental Protection; and Catherine Brennan representing State Treasurer Elizabeth Muoio

Present via conference call: Commissioner Robert Asaro - Angelo of Department of Labor and Workforce Development; Public Members Charles Sarlo, Massiel Medina Ferrara, Louis Goetting, Philip Alagia, John Lutz, Third Alternate Public Member; and Rodney Sadler, Non-Voting Member.

Absent: Mary Maples of the Executive Branch; and Public Members Fred Dumont, Thomas Scrivo, William Albanese, Sr. and William Layton.

Also present: Timothy Sullivan, Chief Executive Officer of the Authority; Deputy Attorney General Gabriel Chacon; Adam Sternbach, Governor's Authorities' Unit; and staff.

Mr. Downes called the meeting to order at 10:30 am.

Pursuant to the Internal Revenue Code of 1986, Mr. Sullivan announced that this was a public hearing and comments are invited on any Private Activity bond projects presented today.

In accordance with the Open Public Meetings Act, Mr. Sullivan announced that notice of this meeting has been sent to the *Star Ledger* and the *Trenton Times* at least 48 hours prior to the meeting, and that a meeting notice has been duly posted on the Secretary of State's bulletin board.

MINUTES OF AUTHORITY MEETING

AUTHORITY MATTERS

ITEM: Incubator and Collaborative Workspace Rent Initiative

REQUEST: To approve a \$500,000 pilot program to provide real estate partnership grants that support the rent for early stage technology or life sciences companies to work in a New Jersey incubator or collaborative workspace.

MOTION TO APPROVE: Mr. Mullen **SECOND:** Mr. Ryan **AYES:** 9

RESOLUTION ATTACHED AND MARKED EXHIBIT: 1

Commissioner Asaro-Angelo and Rodney Sadler joined the call.

ITEM: Economic Development Strategic Planning Consulting Services for the State of New Jersey

REQUEST: To approve entering into a contract with a vendor to provide economic development strategic planning consulting services for the State of New Jersey.

MOTION TO APPROVE: Mr. Mullen **SECOND:** Mr. Ryan

AYES: 9

RESOLUTION ATTACHED AND MARKED EXHIBIT: 2

Mr. Goetting abstained as he did not have time to fully review material.

Ms. Brennan noted that Treasury would like to be included in Phase 1, Section 1H as well as Phase 2 Section 3.

BOND PROJECTS

Resolutions

PROJECT: The Atlantic City Sewerage Company

APPL.#44952

LOCATION: Atlantic City, Atlantic County

PROCEEDS FOR: Remediation, upgrade and expansion of sanitary sewer system and property

FINANCING: \$5,000,000 Tax-Exempt Bond

and

PROJECT: The Atlantic City Sewerage Company

APPL.#44950

LOCATION: Atlantic City, Atlantic County

PROCEEDS FOR: Refunding

FINANCING: \$3,000,000 Tax-Exempt Bond

MOTION TO APPROVE: Ms. Brennan **SECOND:** Mr. Lutz

AYES: 10

RESOLUTION ATTACHED AND MARKED EXHIBIT: 3

PUBLIC HEARING: Yes

PUBLIC COMMENT: None

Combination Preliminary and Bond Resolutions

PROJECT: Dakota Properties, Inc.

APPL.#45063

LOCATION: Various properties, Statewide

PROCEEDS FOR: Refinance existing debt

FINANCING: \$1,130,400 Tax-Exempt Bond

MOTION TO APPROVE: Mr. Ryan **SECOND:** Mr. Mullen

AYES: 10

RESOLUTION ATTACHED AND MARKED EXHIBIT: 4

PUBLIC HEARING: Yes

PUBLIC COMMENT: None

PROJECT: Oaks Integrated Care, Inc.

APPL.#45064

LOCATION: Various properties, Statewide

PROCEEDS FOR: Refinance existing debt

FINANCING: \$1,765,498 Tax-Exempt Bond

MOTION TO APPROVE: Mr. Ryan **SECOND:** Mr. Mullen

AYES: 10

RESOLUTION ATTACHED AND MARKED EXHIBIT: 5

PUBLIC HEARING: Yes

PUBLIC COMMENT: None

Preliminary and Bond Resolutions

PROJECT: The Friends of TEAM Charter Schools, Inc.

APPL.#45075

LOCATION: Various, Newark City, Essex County

PROCEEDS FOR: Acquisition and renovation of bldg.

FINANCING:

MOTION TO APPROVE: Mr. Ryan **SECOND:** Mr. Mullen

AYES: 10

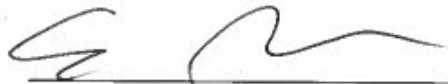
RESOLUTION ATTACHED AND MARKED EXHIBIT: 6

PUBLIC COMMENT

There was no public comment.

There being no further business, on a motion by Ms. Brennan, and seconded by Mr. Mullen, the meeting was adjourned at 10:45 am.

Certification: The foregoing and attachments represent a true and complete summary of the actions taken by the New Jersey Economic Development Authority at its meeting.



Erin Gold, Chief of Staff
Assistant Secretary



MEMORANDUM

TO: Members of the Authority

FROM: Tim Sullivan

DATE: August 10, 2018

RE: Monthly Report to the Board

Six-Month Progress Report

Since joining the EDA as CEO in February, I have been continuously impressed by our dedicated and hardworking staff, Board, and stakeholders. It has been an exciting time and I'm pleased to share the progress we have made over the last six months. Organizationally and programmatically we have been working to best support Governor Murphy's stronger and fairer economic development strategy. This includes:

- We announced the new Office of International Trade and Investment (OITI) last week. Led by Vice President Wes Mathews, OITI is charged with increasing Foreign Direct Investment into New Jersey; recruiting international businesses to the State; strengthening New Jersey's relationships with the diplomatic community in the greater New York area; and coordinating trade missions and other international outreach by the State, in partnership with Choose New Jersey.
- Erin Gold has been promoted to Chief of Staff, and now reports to me as a member of EDA's Senior Leadership Team. Erin continues to oversee the Communications, Marketing, Governance and Legislative Affairs teams, and is also responsible for the day-to-day management of key strategic initiatives for the Authority. We also welcomed a new Deputy Chief of Staff, Danielle Esser, who joins the EDA from the New Jersey Housing and Mortgage Finance Agency, where she has served in a variety of policy and legislative roles for more than a decade.
- We launched the Innovation Challenge, with a Request for Proposals/Quotes (RFP/Q) to give eligible communities the opportunity to receive funds for plans that strengthen their local innovation ecosystems. For this pilot Innovation Challenge, the funding pool is set at up to \$500,000, with awards of up to \$100,000 per recipient. Proposals are due by August 27 and we look forward to bringing recommendations to the Board in September.
- Governor Murphy announced our new Incubator and Collaborative Workspace Rent Initiative (ICWRI), created to assist start-ups with rent at incubators, accelerators and other collaborative workspaces. Through the ICWRI, EDA will make an initial investment of \$500,000 and will provide grants for two, four, or six months of rent payments, with the workspace committing to

subsidize half that amount. We expect to open the application for this new program next month.


- On Wednesday, the first meeting of the Task Force on Employee Misclassification was held. Established by Executive Order 25, which was signed by Governor Murphy on May 3, the Task Force is charged with evaluating existing misclassification enforcement by executive departments and agencies to develop best practices for coordination of information and efficient enforcement and developing recommendations to foster compliance with the law. I am pleased to serve on this Task Force, along with representatives from the Departments of Labor and Workforce Development, Treasury, Law and Public Safety, Agriculture, Banking and Insurance, Human Services, and Transportation to promote fairness.
- In partnership with the African American Chamber of Commerce of New Jersey, we will soon be hosting educational workshops in the northern, central, and southern parts of the State to educate and engage potential applicants on the new Small Business Bonding Readiness Program. The program was created to better position small, minority and women-owned businesses to compete for state or federal government contracts and expand opportunities for more firms to participate in economic development projects. Workshops are scheduled at Mercer County Community College on August 15, NJIT on August 20, and Rowan College at Gloucester County on August 29.
- We have begun planning efforts related to the statewide strategic economic development plan, following the selection of McKinsey & Company a few weeks ago. We are excited to move forward with our partners and stakeholders as we develop strategies that will support Governor Murphy's vision for a thriving, inclusive State economy that benefits all New Jersey residents and communities.
- We recently celebrated Israel-based Teva Pharmaceutical's decision to locate its US headquarters in Parsippany, which will support more than 1,000 high-wage jobs in New Jersey, including the transfer and creation of more than 800 positions. Teva's long-term commitment to New Jersey is the latest evidence of the enduring strength of our life sciences industry and New Jersey's value proposition to the world's leading companies.
- As you'll see in today's Board materials, the analysis conducted by the Edward J. Bloustein School of Planning and Public Policy at Rutgers University of the Grow NJ and Economic Redevelopment and Growth Grant (ERG) programs was transmitted to the Governor's Office and Legislature in July, pursuant to P.L. 2013, c.161 – the Economic Opportunity Act.
- Enhanced outreach to diverse constituencies and stakeholders included the Statewide Hispanic Chamber of New Jersey; Investing in South Jersey, hosted by the New Jersey Alliance for Action; and participation in a panel entitled "New Jersey Economy – What Now?" at the PSE&G Power Lunch in Newark. I also had the opportunity to meet with an audience of more than 100 executives from the New Jersey City University New Jersey 50 (NJCU 50), a fund based on the State's top public companies.
- I am also pleased to share that the EDA will be undertaking a rebranding effort to develop a refreshed, consistent and recognizable marketplace identity and mission that clearly reflects our

evolving role in guiding state government to help create jobs and shape New Jersey's economy. We look forward to working with the Board on this exciting project.

CLOSED PROJECTS

Through July 2018, EDA closed on more than \$38 million in lending assistance to support 72 projects, leveraging more than \$85 million in capital investment and the creation of 474 new permanent jobs.

In addition to the assistance provided through lending programs, EDA also executed agreements pending certification with 14 incentives projects for more than \$310 million, leveraging more than \$423 million in capital investment, the creation of 1,357 new jobs, 1,629 construction jobs, and the retention of 3,487 jobs at risk of leaving New Jersey.



AUTHORITY MATTERS



MEMORANDUM

TO: Members of the Authority

FROM: Tim Sullivan
Chief Executive Officer

DATE: August 10, 2018

RE: Review of Grow New Jersey and Economic Redevelopment and Growth Programs
(For Informational Purposes Only)

Attached for your information is the review and analysis of the Grow New Jersey Assistance Program and State Economic Redevelopment and Growth Grant Program, pursuant to P.L. 2013, c.161 – the Economic Opportunity Act.

Per statute, the EDA formally engaged the Edward J. Bloustein School of Planning and Public Policy at Rutgers University in March 2016 to commence an analysis of the Grow NJ and ERG programs, satisfying the legislative directive that the Authority retain “a premier, not-for-profit, non-partisan entity to undertake the review and analysis of the State economic incentive laws.”

This report reviews the administration of these incentives to date by the New Jersey Economic Development Authority and offers a series of recommendations for reconsidering and revising the parameters under which incentive applications are evaluated.



Tim Sullivan
Chief Executive Officer

Prepared by: Patience Purdy



July 18, 2018

The Honorable Phil Murphy
Governor, State of New Jersey

Dear Governor Murphy:

The New Jersey Economic Development Authority (EDA) is pleased to submit the enclosed review and analysis of the Grow New Jersey Assistance Program (Grow NJ) and State Economic Redevelopment and Growth Grant Program (ERG), pursuant to P.L. 2013, c.161 – the Economic Opportunity Act. Per statute, the EDA formally engaged the Edward J. Bloustein School of Planning and Public Policy at Rutgers University (Bloustein) in March 2016 to commence an analysis of the Grow NJ and ERG programs, satisfying the legislative directive that the Authority retain “a premier, not-for-profit, non-partisan entity to undertake the review and analysis of the State economic incentive laws.”

The Grow NJ and ERG programs were created through P.L. 2013, c.161 to incentivize the creation and retention of jobs in New Jersey (Grow NJ) and enable commercial and residential development that would not be completed under traditional financing mechanisms (ERG), with a particular emphasis on economically distressed areas of the state. The Bloustein analysis reveals the following key observations:

- There has been a significant volume of project approvals under Grow NJ, which are associated with significant volumes of retained and created jobs, but which will also generate a substantial offset to the Corporate Business Tax and Insurance Premium Tax in the years ahead.
- Commercial ERG projects leverage a considerable amount of private investment.
- Given the long lead time associated with Grow NJ and ERG projects, it is too soon to fully evaluate the impact of these programs on the State’s economy.
- Projects approved under Grow NJ are generally concentrated in the northern, more populous counties of the State. A significant percentage of project funding in the eight southern counties has been concentrated in Camden.
- Redundancies in the Grow NJ base and bonus award structure are potentially providing more generous incentives than intended by the statute.
- Because certain bonuses have been underutilized, it is not clear that the program has advanced certain policy goals intended by the legislation, such as clean energy investments and the creation of incubators.
- There is an opportunity to improve EDA’s analysis of proposed incentive projects.

While comprehensive in meeting the statutory directive, the Bloustein analysis was limited to four main objectives, and there are several gaps that merit further exploration. The Economic Opportunity Act was crafted and passed following a severe national recession, and the State was facing significant unemployment and job loss. This report does not analyze economic cycles, and the improved economy presents an opportunity to reexamine award parameters. Other focus areas could include:

- A deeper analysis of the types and quality of jobs created or retained, and whether some or all of the related economic activity would have happened with lower or no incentives.
- A comprehensive best practices review, assessing incentive programs available in other states.
- A review of the overall impact of the reduction in Corporate Business Tax revenues (which would be made up for by higher Gross Income Tax from created or retained jobs) given the constitutional requirement that the Gross Income Tax fund property tax relief while the Corporate Business Tax and Insurance Premium Tax are the primary resources for the General Fund.

As part of your economic development strategy for the State, the EDA will be reviewing best practices related to incentive structure and administration in competitor states. As you have stated, given the increasingly competitive environment, incentives must be part of New Jersey's economic development toolkit, and they must be a tool to accomplish an overarching strategy of sustainable growth

We thank the dedicated team at the Edward J. Bloustein School of Planning and Public Policy at Rutgers University for their efforts related to the Grow NJ and ERG analysis, and we look forward to a continuing dialogue with you and the Legislature as we work to make New Jersey's economy stronger and fairer.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tim Sullivan', with a long horizontal flourish extending to the right.

Tim Sullivan
Chief Executive Officer
New Jersey Economic Development Authority

Review of Grow New Jersey and Economic Redevelopment and Growth Programs

Submitted to:

New Jersey Economic Development Authority

July 2018

Will Irving

Michael L. Lahr

Ray Caprio

Edward J. Bloustein School of Planning and Public Policy

Rutgers, The State University of New Jersey

RUTGERS

Edward J. Bloustein School
of Planning and Public Policy

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EXECUTIVE SUMMARY

The Grow New Jersey and Economic Redevelopment and Growth (ERG) Programs were created through the Economic Opportunity Act of 2013 (EOA), with the intent to incentivize the creation and retention of jobs in New Jersey (Grow NJ) and enable commercial and residential development that would not be completed under traditional financing mechanisms (ERG), particularly in economically distressed areas of the state. This report reviews the administration of these incentives to date by the New Jersey Economic Development Authority (NJEDA) and offers a series of recommendations for reconsidering and revising the parameters under which incentive applications are evaluated.

Grow New Jersey

Analysis of the Grow NJ awards approved to date includes the following observations:

- From December 2013 through August 2017, NJEDA approved 227 Grow NJ awards totaling over \$4.4 billion in potential tax credits. These represent projects that have been approved to receive tax credits, but have not necessarily been completed and certified to meet their employment requirements that will allow them to receive their annual tax credit allocations.
- These awards are projected to create and/or retain over 59,000 jobs in the state.
- In calendar year 2016, 34 Grow NJ awards had been completed and certified, with 10,738 jobs created or retained, receiving \$68.3 million in tax credit distributions in that year. (Full results for 2017 were not available at the time of the analysis.)
- Among the 227 approved projects included in the analysis, 214 awards were calculated on a per-job basis. Award calculations include a per-job base amount determined by project location, and additional per-job bonuses for meeting a selection of additional objectives, including bonuses for businesses in target industries, for projects exceeding the minimum capital investment requirements, for projects paying median salaries in excess of the county median, and others.
- For the 214 awards calculated on a per-job basis, the average program cost per job is \$76,500 (\$7,650 per job per year over ten years) for newly created jobs and \$36,700 for retained jobs (\$3,670 per job per year over ten years). The average cost for all jobs is \$55,888 (\$5,589 per job per year).
- Bonuses accounted for 45.2% of the \$3.1 billion in total tax credits 214 awards.

- A subset of 13 awards for projects in Camden City are not subject to the same award calculation parameters as other Grow NJ awards and are not calculated on a per-job basis, per the enabling legislation. These awards total approximately \$1.4 billion, at an average cost per job of approximately \$340,000 (\$34,000 per year per job).
- Awards are generally concentrated in the northern, more populous counties of the state, with 159 (70%) of 227 awards granted in northern counties.¹
- The highest concentrations of awards are in Hudson County (63 awards) and Camden County (39 awards).
- The distribution of award funds is more even between the northern and southern counties, with 56% of award funds going to northern counties and 44% to southern counties. Awards in Camden County account for 83% of the award funds granted to firms in southern counties. The southern counties account for approximately 23% of total employment in the state; Camden accounts for about 22% of employment in the southern counties.
- Eligible capital investment for all 227 approved Grow NJ projects totaled \$3.9 billion. Capital investment associated with the projects approved for credits are nearly evenly split between the northern (52%) and southern (48%) parts of the state.
- Job creation and retention associated with the awards is more skewed, with 79% of the jobs to be created or retained by Grow NJ tax credit recipients located in the northern part of the state.
- Prior to approval, the legislation directs that Grow NJ projects are subject to a benefit-cost analysis to determine whether the ratio of estimated state fiscal benefits (i.e., tax revenues) to the costs of the award for each project is above the minimum threshold of 1.1 for most projects (1.0 for projects in Garden State Growth Zones). Benefit-cost ratios for the 227 projects considered in this report range from 1.0 (100%) to as high as 26.9 (2,687%). The (arithmetic) average benefit-cost ratio for all projects is approximately 5.9; the cumulative average (weighted by award size) is approximately 2.5, but is approximately 5.4 when the Camden alternatives are excluded from the calculation (the arithmetic average is only slightly higher at 6.1). This difference results from the relatively high value of the 13 Camden alternative awards (\$1.3 billion in total) and their relatively low benefit-cost ratios, ranging from 1.0 to 2.4 with a weighted average of 1.4.

¹ The eight southern counties are Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean and Salem.

Grow New Jersey Recommendations

The formula for calculating the size of Grow NJ awards was reviewed, generating the following recommendations:

- Given the Grow NJ program’s goals of job creation and retention, we recommend that the alternative approach used in calculating certain awards in the city of Camden (the “Camden alternatives”) be revised to tie awards more closely to the employment created by these firms.
- NJEDA should consider eliminating or revising the bonus for Transit-Oriented Development in Urban Transit Hubs and Garden State Growth Zones. This bonus may be redundant in most cases in these jurisdictions, where it accounts for about 21%, or about \$250 million of the total award value for projects qualifying for the bonus.
- Similar redundancies exist with the bonuses for large job creation and deep poverty pockets, where firms are rewarded for meeting criteria that have already been rewarded as part of their base award. NJEDA should explore the possibility of reducing such redundancies and overall program costs. One alternative would be to replace high-cost bonus categories with incremental increases in base awards.
- NJEDA should consider revising rarely or never-used bonus categories. These bonuses – for example, for projects generating onsite solar energy to fill at least 50% of the project’s energy needs, or for projects locating in large vacant commercial buildings – may not be structured in a way that encourages significant levels of adoption. Revisions such as lowering the required solar generating capacity required to qualify for the bonus might be more effective in achieving the objective of solar installation (though also cost more in additional bonuses if more projects adopt solar without a change to the amount of the bonus).
- Until a recent update to the Municipal Revitalization Index (MRI), the bonus category for projects in municipalities with high MRI scores was reliant on MRIs calculated based on 2007 data. These and other data used for project assessments and award calculations should, to the degree possible, incorporate the most up-to-date data.

The benefit-cost framework and the benefit-cost model used in determining award eligibility were reviewed in detail.

- We recommend considering a higher approval threshold for the benefit-cost test to acknowledge the possibility that firms may have moved to or remained in the state even in the absence of the award. A higher benefit-cost approval threshold would either reduce the number of awards granted or effectively impose lower caps on calculated awards.
- Review of the benefit-cost calculations used in award determinations for both Grow and ERG projects revealed several areas in which we believe the benefit-cost analysis methodology should be revised.

The technical aspects of these changes are explained in detail in the text. While some of the proposed changes would reduce the calculated benefits for certain projects, others could result in increases in calculated benefits or reductions in calculated costs. The recommendations include:

- Using state-level economic multipliers rather than county-level in calculating project benefits. While county-level multipliers can in some cases result in more conservative benefit estimates, the use of these multipliers can distort estimates of economic impacts in certain contexts. Whether this change results in an increase or decrease in the calculated benefits for any given project will depend on the county and industry of the project.
- Eliminating local property taxes from the calculation of benefits in cases where capital improvements are property tax exempt. This will result in a reduction in the benefit-cost ratios calculated for those projects.
- Replacing per-job profits estimates in the estimation of Corporation Business Taxes (CBT) with the most recent data on compensation and operating surplus from the U.S. Bureau of Economic Analysis. This will provide a more direct approach to estimating taxable corporate income, based on consistently measured, regularly updated data. NJEDA now solicits documentation of past corporate tax payments (in New Jersey or other states) directly from the applicant, and uses this information as the basis for estimating future CBT obligations. The new approach we recommend can be used as a point of comparison to further verify the estimates based on past payments.

Economic Redevelopment and Growth

Analysis of the ERG awards approved to date includes the following observations:

- From January 2014 through April 2018, NJEDA has approved 50 ERG commercial (10), residential (38) and parking (2) awards totaling approximately \$1 billion.
- Approved commercial awards total \$340.2 million, representing approximately 21% of the eligible capital investment for these projects.
- Awards approved for commercial projects range from \$1.3 million to \$223.3 million, accounting for between 9.5% and 36.4% of total project costs.
- One single multi-phase project – a \$1 billion mixed-use waterfront project in Sayreville – accounts for 62% of the total approved commercial awards (no credits have yet been issued as the project has not yet commenced).
- Approved awards for residential projects total approximately \$649.1 million, representing approximately 29% of total eligible capital investment.
- The 38 residential awards are distributed across 14 municipalities in ten counties and range in size from \$2.7 million to \$40 million.
- Approximately 48% of the 7,814 residential units to be created by approved ERG-assisted projects are slated to be affordable units.
- In 2016, a total of approximately \$8 million in credits was issued for five projects. (Full results for 2017 were not available at the time of the analysis.)

Economic Redevelopment and Growth Recommendations

- Commercial ERG projects are assessed using a benefit-cost framework similar to that used for Grow NJ awards. In the case of certain types of commercial development, inclusion of state tax revenues in the analysis of prospective benefits may not be appropriate, as development in areas outside the incentivized locations may have been pursued absent the award. In such cases, state tax revenues do not necessarily represent a net return to the state. NJEDA should consider additional alternative metrics for evaluating the viability and benefit of commercial projects.
- Another metric of analysis used in assessing the financing needs of commercial projects is the internal rate of return (IRR) on equity for the project developer. It is not clear that the increase in IRR conditioned on the ERG awards is a transparent and meaningful measure of project viability, though it appears to be used for this purpose in project evaluations. NJEDA should provide more information about how the IRR calculation informs the

evaluation for each project.

- The geographic distribution of funding for residential ERG projects is highly concentrated in a small number of cities due to legislated funding allocations and program rules. Adopting a more comprehensive rubric of criteria for determining residential funding priorities could allow for distribution of funds to a broader range of areas in need of redevelopment in a manner consistent with NJEDA's residential project financing objectives.
- Several awards made under the auspices of the residential ERG program are not residential developments (e.g., \$25 million for development of athletic facilities at Rutgers University). While such awards are consistent with legislative funding allocations under the program, future programs should seek to clearly delineate and evaluate projects by type, as potential differences in evaluation parameters, project goals, economic outcomes and program purposes suggest that a separate classification and/or approach is warranted.
- NJEDA should clarify the rules and data reporting regarding the affordable housing requirement. The rules appear to offer bonus financing for projects that reserve 10% of units for low- and moderate-income families, while at the same time stipulating that, unless otherwise exempt, projects must include at least 20% affordable units. If the development of affordable housing is considered a key objective of the program, additional financing for projects that surpass the minimum 20% requirement would be a reasonable stipulation, but it is not clear whether the funding is being allocated in this way.

INTRODUCTION

The purpose of this report is to provide an analysis of the Grow New Jersey (Grow NJ) and ERG (Economic Redevelopment and Growth) tax incentive programs established by the Economic Opportunity Act of 2013 (EOA) and administered by the New Jersey Economic Development Authority (NJEDA).²

The report has four main objectives as initially determined in agreement with NJEDA in March 2016:

- 1) To review and present the distribution of awards by geography, award type, size and other parameters.
- 2) To evaluate and analyze the general qualifying parameters – base awards and bonus categories – of the awards, and offer observations and/or recommendations regarding their efficiency and effectiveness.
- 3) To examine the parameters of the benefit-cost model used by EDA for evaluating award applications and make recommendations for revisions where indicated.
- 4) To review and evaluate the economic impact estimates used in assessing the benefits for ERG projects and compare them to results of an alternative state model.

The first section of the report covers the Grow New Jersey program. The section begins with a brief review of the Grow NJ program and its parameters. This is followed by a review of the Grow NJ tax credit awards approved to date, including breakdowns by geography, award size and employment. A review of Grow NJ bonus categories is provided, including observations and recommendations regarding costs and use of bonuses. This is followed by a discussion of the benefit-cost test and associated model used in analyzing Grow NJ awards and ERG awards for commercial projects. (An appendix provides a detailed analysis of the benefit-cost model and recommendations for revisions, with examples demonstrating the effect of proposed changes to the modeling process.) The final section of the report examines the Economic Redevelopment and Growth program, including the geographic distribution of awards made for commercial and residential projects, project evaluation criteria, and the estimated employment impacts associated with capital investment for the residential projects.

² This report covers Grow New Jersey and ERG awards approved following passage of the NJ Economic Opportunity Act (NJEOA) in 2013. Prior to that, the Grow New Jersey Program was administered pursuant to the Grow New Jersey Assistance Act of 2011, P.L. 2011, c. 149, enacted on January 5, 2012. Under this iteration of the Grow New Jersey Program (referred to as “Legacy Grow New Jersey”), EDA approved 18 projects for \$529,731,293 based on the estimated creation of 2,523 new jobs and 6,685 retained jobs. The Economic Redevelopment and Growth (ERG) Program was first administered pursuant to the New Jersey Economic Stimulus Act of 2009, P.L. 2009, c. 90., enacted in July 2009. Under this iteration of the ERG Program (referred to as “Legacy ERG”), EDA approved 16 projects for \$551,640,889 based on total eligible capital investment of over \$4,009,319,678.

GROW NJ PROGRAM DESCRIPTION

SUMMARY

This section provides a detailed description of the Grow NJ program. Because project completion and certification has not yet reached a significant level, it is difficult to judge the overall program results based only on the projects that have already created jobs and received tax credits. As more projects reach completion, future analysis can determine if employment objectives and projects are meeting program requirements. Findings from a review of the program include the following:

- Urban-focused base awards account for approximately half of the potential job creation/retention of the Grow NJ program and about 70% of the total dollar value of awards.
- Awards to firms remaining in the state were concentrated among those retaining 200 jobs or fewer (84 of 131 awards), accounting for approximately 7,328 jobs.
- In total, the 11,535 new jobs planned by in-state firms receiving Grow NJ awards represent 40% of the 28,670 total new jobs to be created by 227 Grow NJ awards covered by this report.
- Of the 227 total awards, 210 are valued at less than \$40 million, the cutoff after which awards are subject to adjustment based on the funding gap between the New Jersey project site and an alternative site out of state. Of the 17 awards over \$40 million, 12 are Camden alternatives and thus not subject to that limitation.

The Grow NJ program was intended by the EOA to incentivize companies to locate or remain in areas of the state identified as “Qualified Incentive Areas,” including Urban Transit Hubs, Garden State Growth Zones, Distressed Municipalities, and other designated areas prioritized for development. Applicants must meet minimum employment, capital investment and green building requirements and other thresholds to qualify for the incentives, and proposed projects must pass a benefit-cost test. The company CEO must also attest that the award constitutes a “material factor” in the firm’s decision to remain/locate in New Jersey.

The value of the incentive offered is in most cases calculated based on the number of jobs created and/or retained in the state by the company. Incentives are granted in the form of transferrable credits against the corporation business tax and insurance premiums tax. For each job created and/or retained each year, the award consists of a base amount determined by the project’s location in a Qualified Incentive Area and in some cases its size, along with additional per-job bonuses for projects meeting a variety of criteria. The base awards range from \$500 to \$5,000 per new or retained job, depending on the location/project type. These base awards are summarized in Table 1, excerpted from the NJEDA program materials.

Table 1
Grow NJ Base Award Categories and Caps

<i>Project Type</i>	<i>Base Amount Per New or Retained FT Job, Per Year</i>	<i>Gross Amount Cap Per New or Retained FT Job, Per Year</i>	<i>Maximum Cap To be Applied by the Business Annually</i>
<i>GSGZ Project</i>	<i>\$5,000</i>	<i>\$15,000</i>	<i>\$30,000,000 (\$35,000,000 - GSGZ- Camden/Atlantic City GSGZs)</i>
<i>Mega Project*</i>	<i>\$5,000</i>	<i>\$15,000</i>	<i>\$30,000,000</i>
<i>Garden State Create Zone (NJ Doctoral University)</i>	<i>\$5,000</i>	<i>\$12,000</i>	<i>\$10,000,000</i>
<i>Urban Transit Hub Municipality</i>	<i>\$5,000</i>	<i>\$12,000</i>	<i>\$10,000,000</i>
<i>Distressed Municipality</i>	<i>\$4,000</i>	<i>\$11,000</i>	<i>\$8,000,000</i>
<i>Priority Area</i>	<i>\$3,000</i>	<i>\$10,500</i>	<i>\$4,000,000 * Not more than 90% of business withholdings</i>
<i>Other Eligible Area</i>	<i>\$500</i>	<i>\$6,000</i>	<i>\$2,500,000 * Not more than 90% of business withholdings</i>

**Mega projects are projects in certain industries meeting a defined set of higher investment and employment thresholds.*

Garden State Growth Zones (GSGZ) are considered among the state’s most economically distressed municipalities, and are comprised of the four municipalities with the lowest median family incomes in the state according to the U.S. Census Bureau’s 2009 American Community Survey – Camden, Trenton, Passaic and Paterson – as well as Atlantic City. Urban Transit Hub municipalities are municipalities with Urban Transit Hubs as defined under the original UTH legislation in 2007, and in which at least 30% of the total property value is tax exempt. There are 13 Urban Transit Hub municipalities, including three of the GSGZs (Camden, Trenton and Paterson), as well as Newark, Hoboken, Jersey City and others. The 65 distressed municipalities include all the GSGZs and Urban Transit Hub municipalities, as well as other primarily urban areas that qualify for state aid or have otherwise been identified as facing fiscal distress. Priority areas and other eligible areas are largely metropolitan and suburban areas not located in distressed municipalities. Mega projects are projects in specified locations (including Urban Transit Hubs, GSGZs, port districts and aviation districts) and industries (e.g., medical research and development) that involve large-scale investment and/or employment. Appendix I provides more detailed information on base award categories and bonus criteria.

Bonus criteria include businesses in certain targeted industries, transit-oriented development, capital investment in industrial sites that exceeds the minimum requirements by

20% or more, solar energy generation, and others. Most awards are calculated over a ten- year horizon, and firms can claim one-tenth of the total award as a credit against their Corporate Business Tax and Insurance Premiums Tax obligations. The credits are not refundable, but are transferrable at a price no less than 75% of their value.

Certain minimum requirements are relaxed and award incentives increased for projects in Garden State Growth Zones (Atlantic City, Camden, Passaic, Paterson and Trenton) and in any area of eight South Jersey counties: Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean and Salem. Projects in these areas have their minimum employment requirements reduced by one quarter and their capital investment requirements reduced by one-third. For projects in these areas, awards for new and retained jobs are equal to 100% of the calculated per-job amount. For projects outside these areas, the award per retained job is equal to the lesser of 50% of the calculated amount for new jobs or the capital investment divided by 10 divided by the total number of new and retained jobs. In addition, projects meeting a set of new employment and capital investment thresholds in Camden are eligible for awards calculated on the basis of their capital investment, rather than on a per- job basis.

Award applications are initially analyzed to determine whether there is in fact a cost differential between the proposed New Jersey site and an alternative project site outside the state. In most cases, projects that demonstrate that costs in New Jersey would be significantly higher than in the alternative location are then evaluated using a cost-benefit model developed by an outside contractor (Jones Lange LaSalle) for NJEDA. The model weighs the future fiscal benefits of the project in terms of state and local tax revenues generated by the project (business taxes and the income taxes generated by the jobs created/retained by the project) over a designated time horizon against the annual value of the tax credit. For award applications approved for \$40 million (\$4 million per year) or more, EDA determines an award amount between the calculated per-job award and the amount required to make up the cost differential between the New Jersey site and the alternative site. Approved awards remain active for four years. If a project has not been completed and received certification of its employment within four years of approval, the award is cancelled.

REVIEW OF GROW NJ AWARDS

This review comprises a total of 227 awards approved for 224 companies between December 2013 and August 2017.³ The total cost of these awards is estimated at approximately \$4.4 billion, and they are estimated to retain or create approximately 59,200 jobs, generally over a ten-year period for most awards, and facilitate capital investment of \$3.9 billion. It should be noted that the awards described in this section and the subsequent analysis represent the currently active awards *approved* over the December 2013-August 2017 period. As of 2016, 34 of these awards – or about 15% – had been completed and certified, with tax credits issued. Because project completion and certification has not yet reached a significant level, it is difficult to judge the overall program results based only on projects that have already created jobs and received tax credits. As such, the description and analysis of awards in terms of geographic distribution, jobs created or retained, costs per job, and other parameters includes *all approved* awards. As the completion of projects approved from 2016 and 2017 is tracked, it will become clearer whether the program is achieving its employment objectives and the extent to which projects are meeting their program requirements.

Distribution of Awards by Base Award and Geography

Table 2 provides a summary of awards by Base Award type (i.e., qualified incentive area or mega project), with Camden Alternatives shown separately. Three maps (Figures 1-3) show the distribution of awards, award amounts, and associated employment by location. Table 3 provides the geographic distribution by county.⁴

Qualified Incentive Area	Projects	New Jobs	Retained Jobs	Total Jobs	Total Eligible Capital Investment (\$)	Total Awards (\$)
Distressed Municipality	57	4,873	4,917	9,790	588,557,204	475,494,970
GSGZ	28	1,430	2,088	3,518	173,739,859	423,172,275
HUB	56	9,009	3,495	12,504	474,918,347	865,747,730
Mega Project	15	6,607	5,666	12,273	674,026,953	838,498,530
Priority Area	58	5,333	11,840	17,173	615,131,216	485,379,480
Camden Alternatives	13	1,418	2,511	3,929	1,414,638,907	1,338,271,020
Total	227	28,670	30,517	59,187	3,941,012,486	4,426,564,005

³ There were two companies that received more than one award. There were also four multi-site awards for individual companies with different per-job calculations for each site; multiple sites for a single award were generally counted as single awards, but were separated out where necessary for calculations.

⁴ Appendix table A-1 in Appendix II provides the award distribution by municipality and county as depicted in Figures 1-3.

The largest numbers of awards are in the Urban Transit Hub, Distressed Municipality and Priority Areas, with between 56 and 58 awards each. While these awards totaled slightly below \$500 million for the Distressed Municipalities and Priority Areas, they totaled over \$865 million for the Urban Transit Hubs. The highest level of job creation/retention is in the Priority Areas – over 17,000 jobs – with the lowest found in the Garden State Growth Zones and Camden Alternatives (which are technically in Garden State Growth Zones, but presented here separately for purposes of comparison). Over twice as many of the jobs associated with the projects in Priority Areas are retained jobs, while over twice as many in the Urban Transit Hubs are new jobs. The division is roughly equal for Distressed Municipalities. Notably, the “Other Eligible Area” base award of \$500 has not yet been used by any project. This may indicate that the award level is not sufficient to attract relocating businesses.

Including Camden alternatives, the urban-focused base awards (GSGZs, HUBs and distressed areas) account for approximately 50% of the potential job creation/retention of the Grow NJ program and about 70% of the total value of awards. The more suburban and metropolitan focused priority areas accounted for approximately 29% of the potential job creation/retention and about 10% of the total awards. Mega projects, which are mixed in their geographic distribution, accounted for 21% of the potential new/retained jobs and 19% of the total value of approved awards.

Figure 1
Geographic Distribution of Grow New Jersey Projects

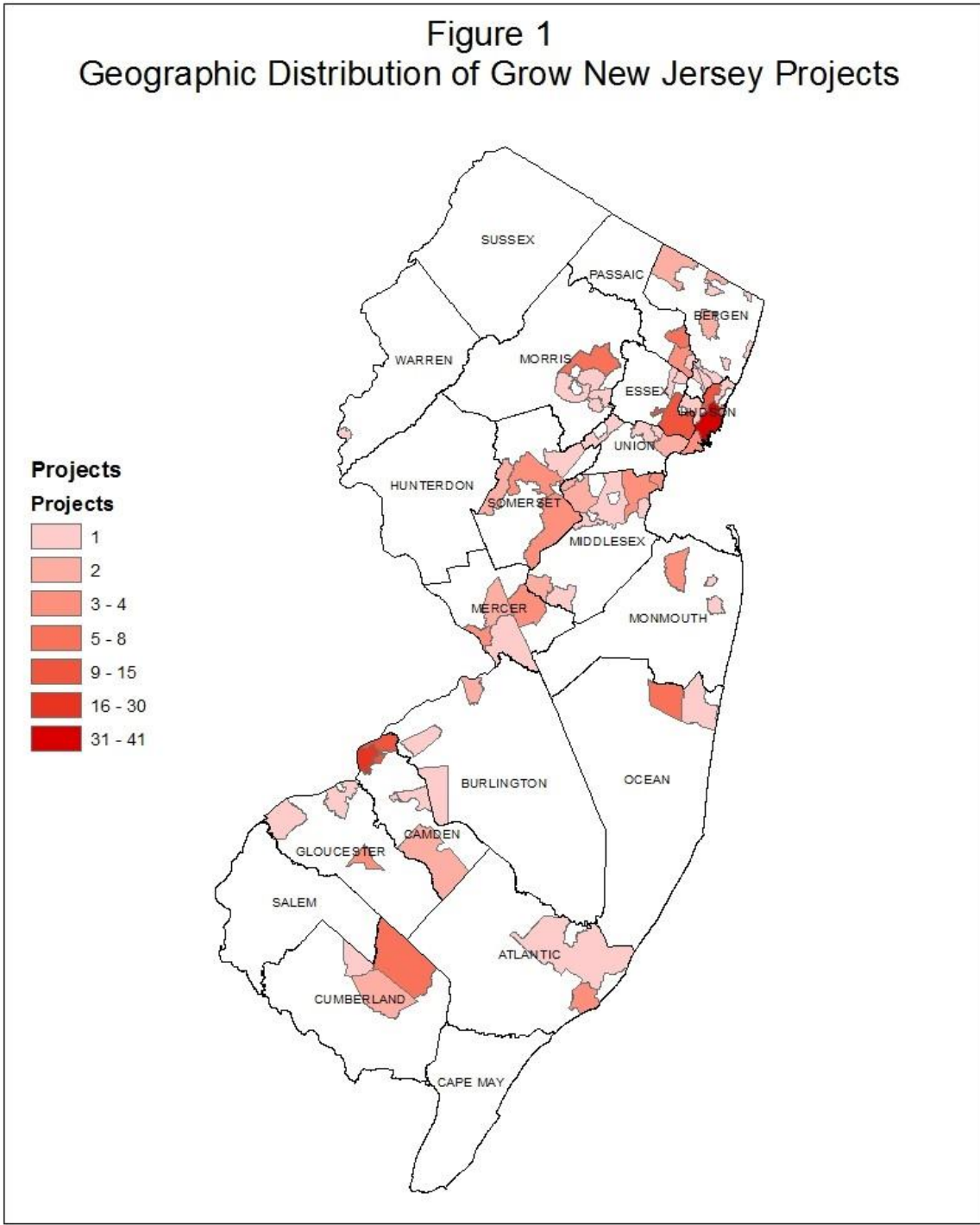


Figure 2
Geographic Distribution of Grow New Jersey Award Funds

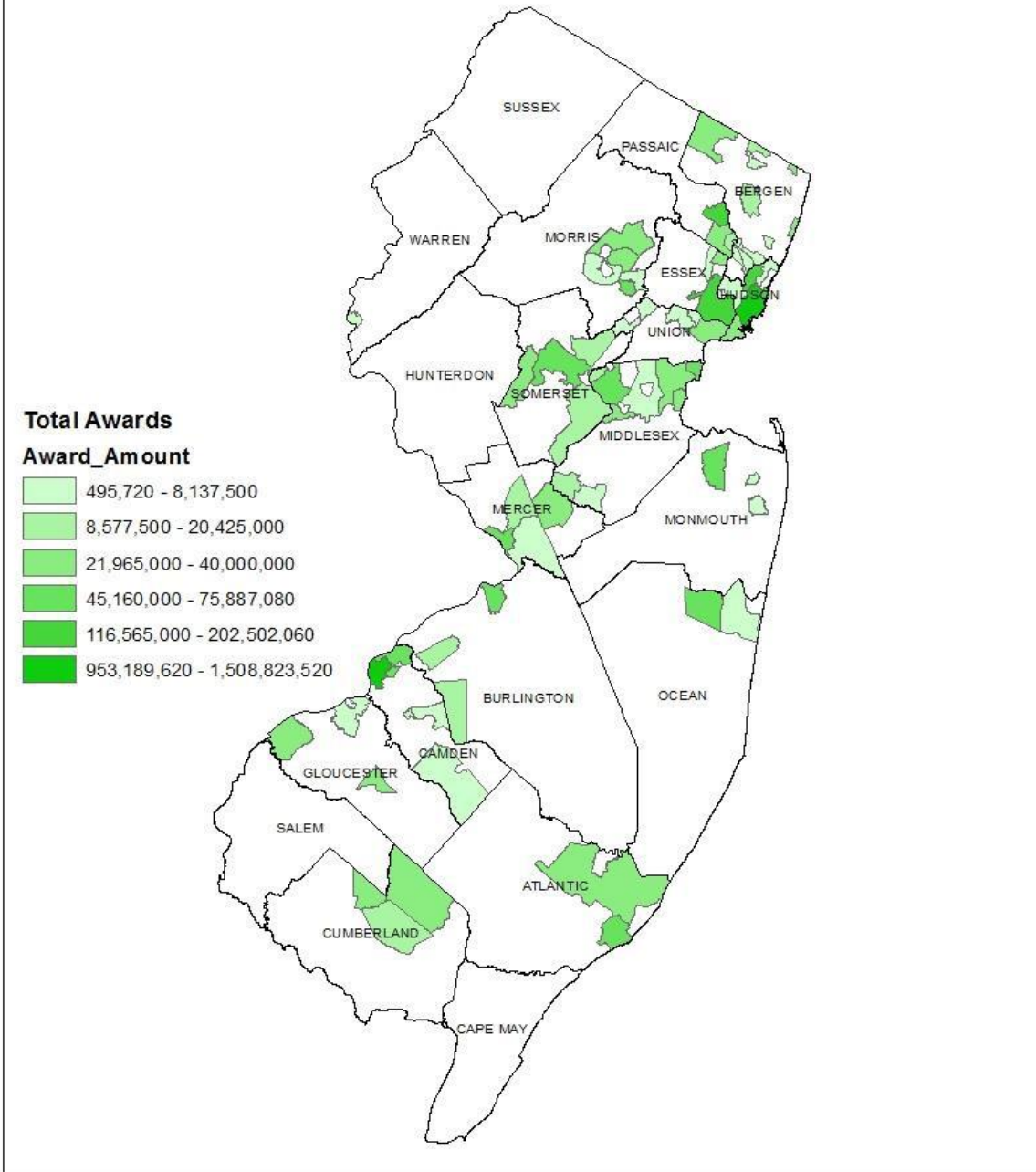


Figure 3
Geographic Distribution of Grow NJ-Related Jobs

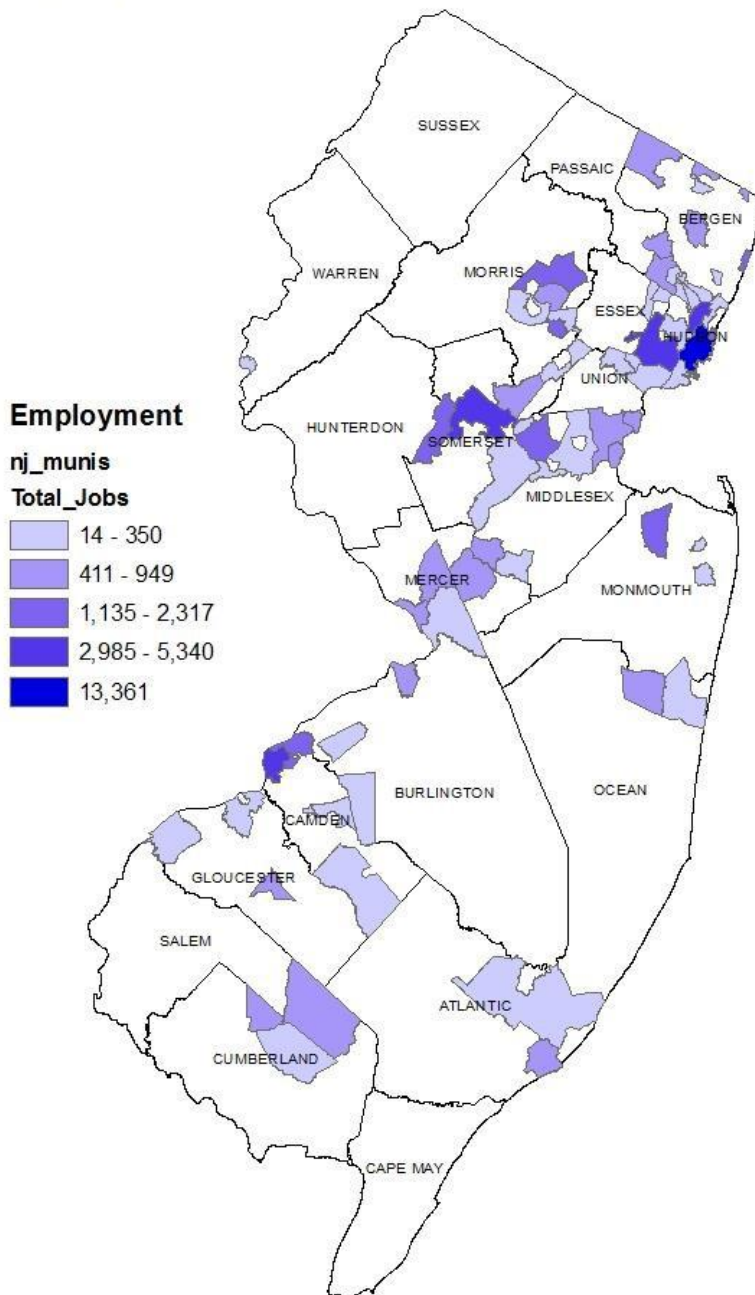


Table 3
Distribution of Grow NJ Awards by County

County	Number of Projects	Award Amount (\$)	New Jobs	Retained At Risk Jobs	Total Jobs	Total Eligible Capital Investment (\$)
Atlantic	5	85,609,015	656	210	866	77,046,684
Bergen	14	134,500,470	906	3,586	4,492	183,550,690
Burlington	4	73,972,030	841	715	1,556	70,424,229
Camden*	39	1,595,456,600	2,592	4,416	7,008	1,527,572,693
Cumberland	9	72,191,600	449	859	1,308	107,871,478
Essex	12	218,418,310	1,631	1,714	3,345	249,817,210
Essex/Passaic**	1	18,648,000	150	200	350	23,221,782
Gloucester	5	48,677,500	362	446	808	77,298,222
Hudson	63	1,262,463,170	12,371	6,905	19,276	667,005,420
Mercer	10	109,791,500	768	1,229	1,997	60,265,296
Middlesex	15	223,179,820	2,839	1,464	4,303	277,784,199
Middlesex/Somerset**	1	11,486,250	50	241	291	17,500,000
Monmouth	5	62,823,340	823	846	1,669	60,924,787
Morris	9	127,774,610	1,507	2,129	3,636	150,896,118
Ocean	6	53,484,020	515	566	1,081	23,884,110
Passaic	11	147,167,500	515	801	1,316	52,391,883
Passaic/Essex**	1	16,937,500	271	0	271	55,158,000
Somerset	9	110,797,470	858	3,486	4,344	171,356,002
Somerset/Bergen**	1	10,254,300	60	464	524	73,910,484
Union	6	41,881,000	492	240	732	12,333,199
Warren	1	1,050,000	14	0	14	800,000
Total	227	4,426,564,005	28,670	30,517	59,187	3,941,012,486

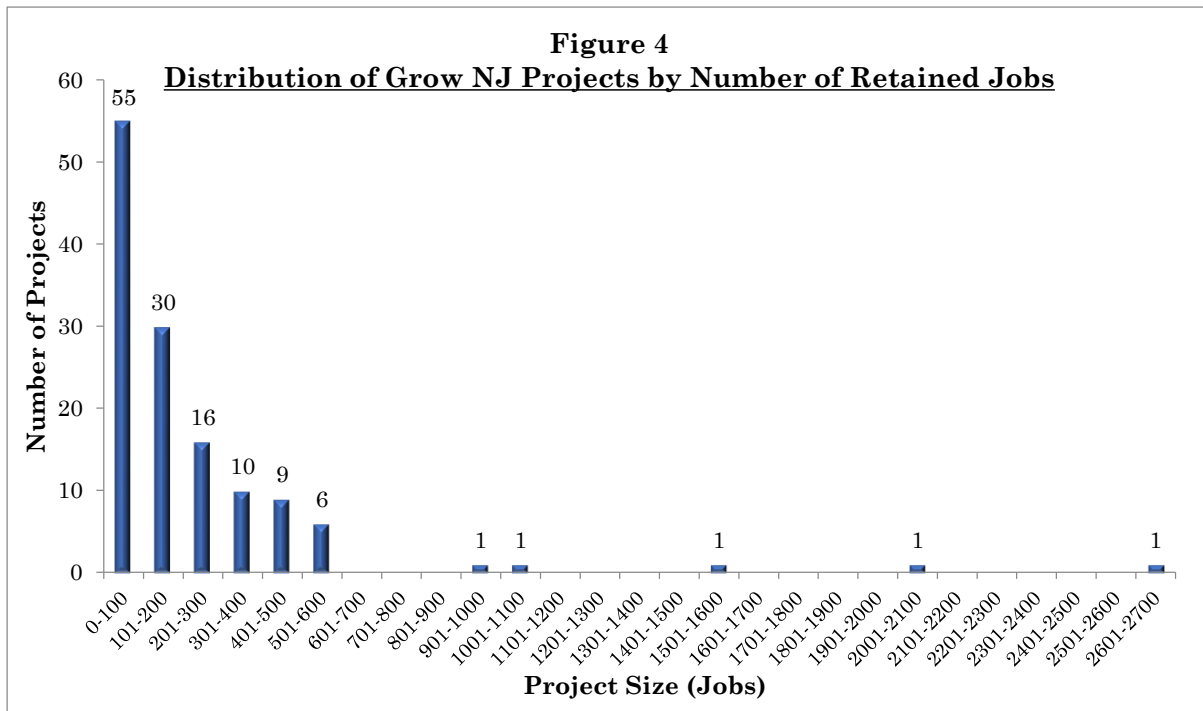
* Includes Camden alternatives. ** Projects with sites in multiple counties.

Awards were most heavily concentrated in Hudson County, particularly Jersey City, accounting for nearly 30% of the total number of awards and award dollars, over 40% of the associated new jobs and over 20% of the retained jobs. The second highest concentration in terms of number of projects was in Camden County, which had 39, or about 17% of the total, representing 36% of the total award dollars. This total includes the 13 “Camden alternatives” - projects not subject to the usual per-job award calculation, but eligible to receive awards that can equal the total of their planned capital investment in Camden City. Eligible capital investment for these projects totals \$1.4 billion. This accounts for Camden County’s relatively low share of total Grow NJ new (9%) and retained (14.5%) employment relative to its share of total awards, award dollars and capital investment.

Of note in Table 3, as well as in Figures 1-3, are the lack of awards in certain areas of the state. This is not necessarily problematic; however, as the program’s award parameters specifically provide additional benefits to firms locating in the eight South Jersey counties, it is notable that there have to date been no approved projects in Salem or Cape May Counties.

Distribution of Awards by Project/Firm Size

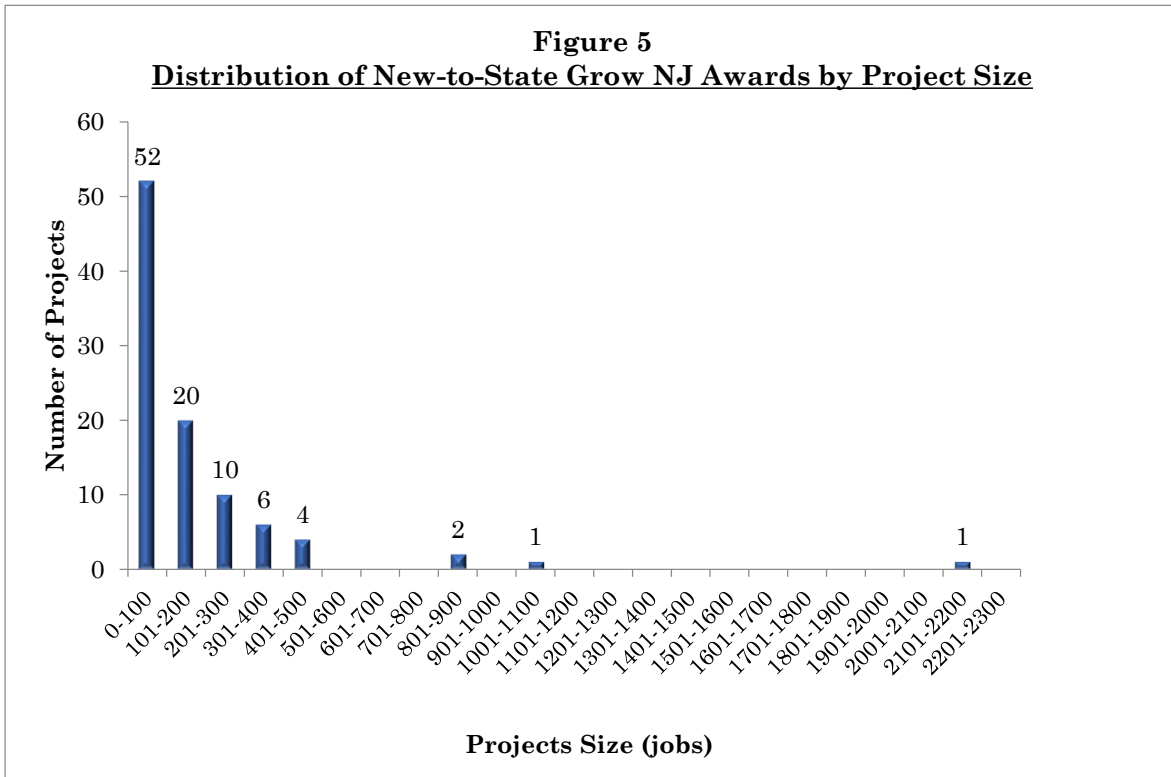
In terms of size, the average number of retained jobs for the 131 firms that received incentives to remain in the state (rather than firms new to the state) – the average number of retained jobs was 233 with a median of 123. As shown in Figure 4 and Table 3, the highest concentration of firms remaining in the state were those retaining up to 100 jobs (55 firms), accounting for approximately 3,044 jobs, or about 10% of the total 30,517 retained jobs. An additional 14% of retained jobs (4,284 jobs) are with 30 firms with between 101 and 200 retained jobs each. Twenty-six firms with between 201 and 400 retained jobs each account for 7,466 retained jobs, or 24.5% of the total. An additional 15 firms retaining between 401 and 600 jobs each in the state account for an additional 24.5% (7,462) of the retained jobs. The five firms with the largest retention level (from 901 to 2,650 jobs) account for 8,261 retained jobs, or 27% of the total.



The 131 Grow NJ projects with retained in-state jobs represent over \$3.03 billion of the total \$4.4 billion in awarded credits. Of these firms, 104 also plan expansions ranging from eight to 1,000 jobs. These expansions would total about 11,500 jobs, increasing the in-state employment of those firms by approximately 54%. The 27 firms with only retained jobs have total employment of approximately 9,300 jobs, with firms ranging in size from 30 to nearly 2,100 employees, and account for approximately \$510.7 million in total awards.

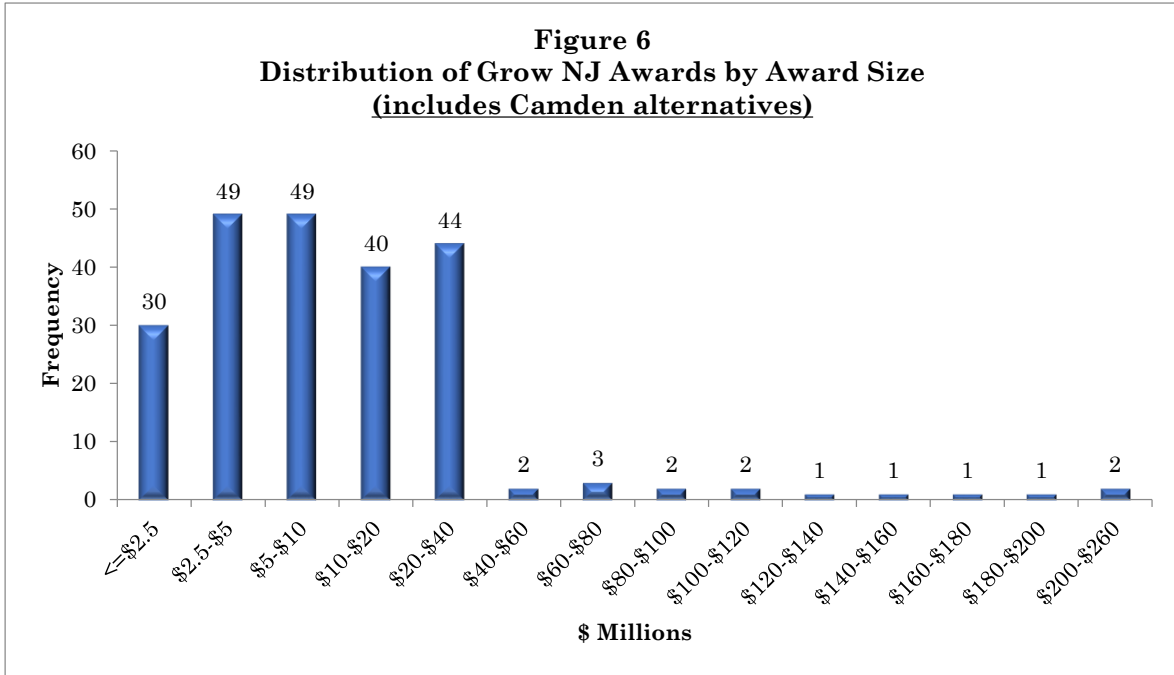
In total, the 11,535 new jobs planned by in-state firms receiving Grow NJ awards represent 40% of the 28,670 total new jobs to be created by 227 Grow NJ awards covered by this report. The distribution by employment size of Grow NJ projects new to the state (i.e.,

those with new, but no retained jobs) are shown in Figure 5. These 96 projects, if fully realized, would represent approximately 17,135 new jobs in the state. The average employment size for these establishments is approximately 178 jobs – somewhat smaller than the average for retained jobs – with projects ranging from as few as 14 to as many as 2,150 jobs, with a median of 100.



Distribution of Awards by Award Size

Figure 6 provides the distribution of all Grow NJ awards by award amount; Table 4 provides the descriptive statistics for all awards, and separate statistics for Camden Alternatives and awards calculated according to the standard per-job calculation. Total awards ranged in size from just under \$500,000 to as high as \$260 million, with an average of \$19.5 million and a median of \$8.8 million. The high average relative to the median indicates the influence of the small number of very large awards, including the 13 Camden alternatives, which had an average award size of nearly \$103 million (Table 4). Of the 227 total awards, 210 are less than or equal to \$40 million, the cutoff after which awards are limited based on the funding gap between the New Jersey project site and an alternative site out of state. Of the 17 awards of \$40 million or over, 12 are Camden alternatives and thus not subject to that limitation.



	Standard	Camden Alternatives	All Projects
# of Projects	214	13	227
Average	\$14,431,276	\$102,943,925	19,500,282
Median	\$8,097,500	\$86,239,720	\$8,775,000
Minimum	\$495,720	\$11,147,360	\$495,720
Maximum	\$224,835,000	\$260,000,000	\$260,000,000

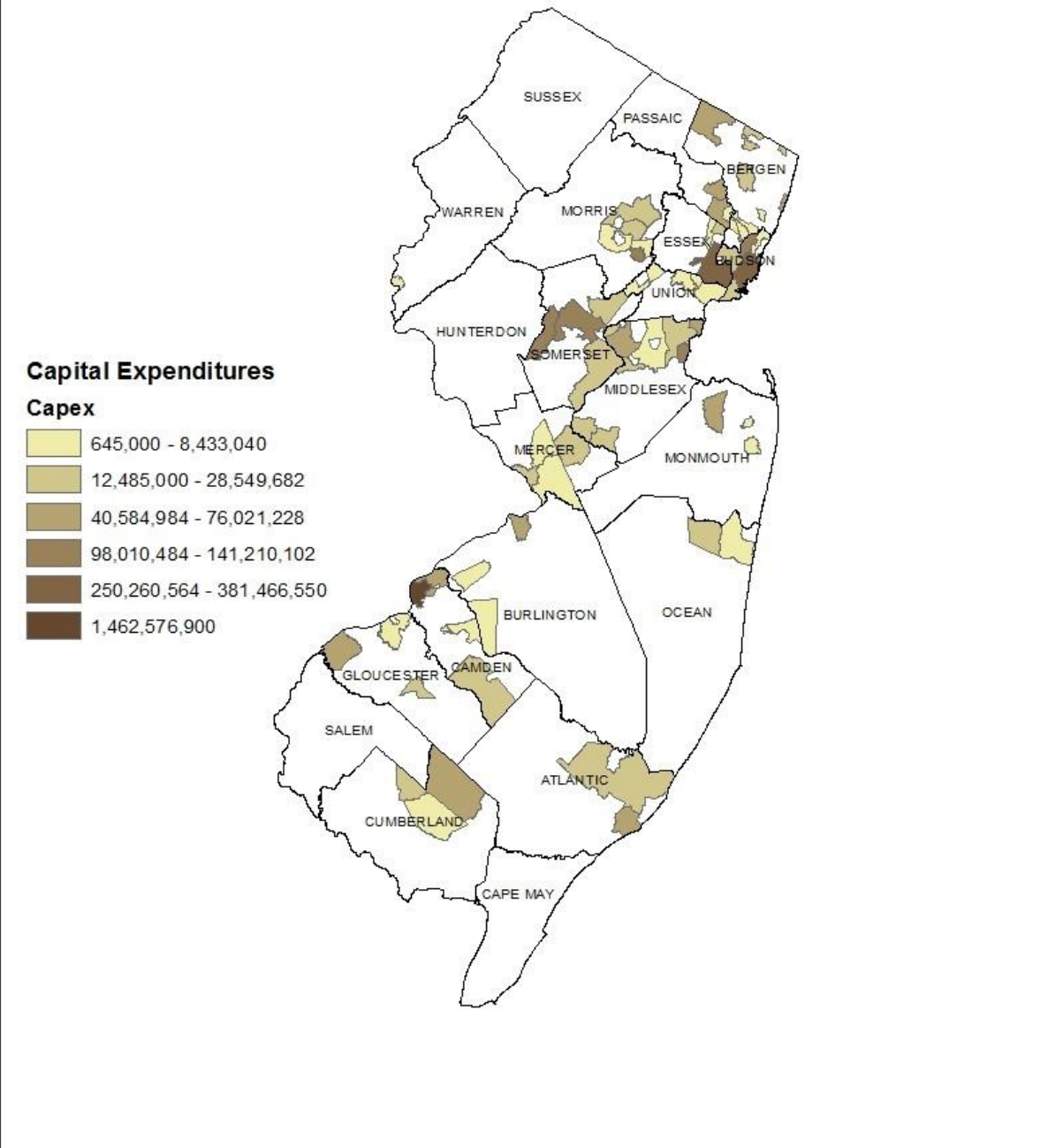
Distribution of Awards by Capital Expenditure

Figure 7 shows the geographic distribution of capital expenditures associated with Grow NJ projects. Total capital expenditures for all projects is estimated at \$3.9 billion. High levels of capital investment can have significant one-time (i.e., not ongoing) economic impacts, though these are generally small relative to the ongoing annual impacts included in the benefit-cost analysis for each project. In addition, property taxes on the capital improvements (calculated at 3% of construction value in the benefit-cost model) can constitute a significant element of the ongoing annual benefits.⁵

Project capital expenditures range in size from under \$300,000 to as high as \$116 million for projects with job-based award calculations and as high as \$260 million for one of the Camden alternative projects. As shown on the map in Figure 7 and in Table 3, the pattern of capital investment generally mirrors that of awards and award dollars, with significant concentrations in Camden (39% of the total) and Hudson (17% of the total), and relatively high shares in Middlesex (7%), Essex (6%) and Bergen (5%).

⁵ GSGZs were given the option of creating municipal-level property tax exemptions for up to 20 years. At present, Camden provides a property tax exemption for the first 10 years after project completion, followed by an increase of 10% of the value each year for the subsequent 10 years.

Figure 7
Geographic Distribution of Grow NJ Capital Expenditures



Credits Issued to Date

Table 5 lists projects for which NJEDA reported issuing credits in 2016.⁶ The 34 projects were issued \$68.3 million in credits and reported 5,341 new jobs and 5,397 retained jobs, in line with the 5,361 new jobs and 5,433 retained jobs expected based on their applications and their total approved awards of \$708.3 million. These 34 projects are among 112 projects that were approved through January 2016, with most (103) projected to be completed in or later than 2016. All in, the 112 projects are projected to create 16,317 new jobs and retain 15,384 existing jobs, and were approved for credits totaling \$1.9 billion. Thus, the \$68.3 million for the 34 awards represents about 36% of the credits that would be issued annually were all the projects approved by 2016 to reach completion. Many of these may have already been completed and credits issued, though complete data on certified credits for 2017 is not yet available. The credits issued were highly concentrated in Hudson County, and Jersey City in particular, with nearly \$42 million credits issued in the city. Projects in Camden County also received certified tax credits of about \$9 million.

⁶In 2015, approximately \$12.6 million in credits were issued to 13 of the firms receiving them in 2016.

Table 5
Grow New Jersey Credits Issued in 2016

Project	Municipality	County	Jobs Reported		Certified Credit Amount
			New	Retained	
Barrette Outdoor Living	Galloway	Atlantic	232	-	\$2,436,000
SUEZ Water Management	Paramus	Bergen	0	279	\$523,125
Contemporary Graphics and Bindery, Inc. and Affiliates	Camden	Camden	56	170	\$3,410,000
Cooper Health System	Camden	Camden	89	353	\$4,444,000
Plastics Consulting and Manufacturing Company, Inc.	Camden	Camden	8	20	\$392,000
WebiMax LLC	Camden	Camden	8	50	\$493,000
Audio and Video Labs, Inc.	Pennsauken	Camden	27	-	\$147,550
Northeast Precast	Millville	Cumberland	50	87	\$782,663
Univision Communications Inc. and Subsidiaries	Vineland	Cumberland	99	-	\$350,000
Liscio's Italian Bakery	Glassboro	Gloucester	76	176	\$1,351,500
Showman Fabricators, Inc.	Bayonne	Hudson	95	-	\$877,500
Charles Komar & Sons	Jersey City	Hudson	451	-	\$3,472,000
Eltman Law, P.C.	Jersey City	Hudson	64	-	\$448,000
First Data Corp. 39th fl	Jersey City	Hudson	100	-	\$825,000
First Data Corporation	Jersey City	Hudson	74	-	\$592,000
Forbes Media LLC & Forbes Media Holdings LLC	Jersey City	Hudson	344	-	\$2,472,250
Insight Catastrophe Group, LLC	Jersey City	Hudson	27	-	\$208,000
JPMorgan Chase Bank	Jersey City	Hudson	1000	2,612	\$22,483,500
Northern Leasing Systems, Inc.	Jersey City	Hudson	107	-	\$713,000
Principis Capital LLC	Jersey City	Hudson	38	0	\$285,000
RBC Capital Markets, LLC	Jersey City	Hudson	837	-	\$7,323,750
VF Sportswear	Jersey City	Hudson	150	-	\$1,087,500
World Business Lenders, LLC	Jersey City	Hudson	221	-	\$1,657,500
Jacmel Jewlery, Inc.	Secaucus	Hudson	73	-	\$292,000
Rent the Runway	Secaucus	Hudson	360	93	\$1,455,750
Solvay USA, Inc. (1)	West Windsor	Mercer	0	338	\$738,000
Wenner Bread Products, Inc.	New Brunswick	Middlesex	275	-	\$3,036,000
Interpool, Inc. d/b/a TRAC Intermodal (1)	Plainsboro	Middlesex	57	310	\$848,000
Sandoz Inc	Plainsboro	Middlesex	130	292	\$918,000
Gaming Laboratories International, LLC	Lakewood	Ocean	31	243	\$915,000
Jimmy's Cookies	Clifton	Passaic	98	43	\$753,750
Sandy Alexander	Clifton	Passaic	52	216	\$1,134,000
Patella Construction Corp.	Passaic City	Passaic	76	-	\$1,045,000
D' Artagnan, Inc.	Union Twp	Union	36	115	\$367,837
34 Projects			5,341	5,397	\$68,278,175

JOB CREATION/RETENTION AND COSTS PER JOB

SUMMARY

This section provides an overview of the potential job creation and retention produced through the NJ Grow program and the cost associated with attracting jobs (firms) to or keeping jobs in the state. Findings include:

- The potential employment to be created or retained by Grow New Jersey-assisted projects if all 227 approved projects were completed and certified at their full employment levels would be over 59,000 jobs.
- As of 2016, completed and certified Grow NJ projects have attracted or retained nearly 11,000 jobs in the state.
- In some counties, the number of potential jobs to be created and/or retained is notable in comparison to the employment change over the past seven years as New Jersey emerged from the Great Recession. In Hudson County, the 63 Grow NJ projects are expected to result in the creation of 12,371 new jobs and the retention of 6,905 existing jobs, which is equivalent to roughly 74% of the non-retail employment growth in the county from 2010 through 2017.
- In Camden County, the 7,008 jobs to be potentially created or retained by Grow NJ projects (including 781 certified new and/or retained Grow NJ jobs in 2016) are equivalent to about 53% of the total non-retail employment change from 2010 to 2017.
- The average costs per job for most Grow NJ awards (excluding Camden alternatives) is generally consistent with national benchmarks, with the average \$7,650 per new job per year near the upper bound of estimates and the average annual cost of \$3,670 per retained Grow NJ job in line with some national benchmarks.
- Among the Camden alternatives, the annual costs per job range from just under \$20,000 per year to over \$65,000 per year, with an average of about \$34,000 (the award amount for new and retained jobs is the same in Garden State Growth Zone municipalities), or 4.5 times the average award per new job for awards calculated on a per-job basis.

As in the case of many tax incentives, the primary goal of the Grow New Jersey Assistance Program is to attract and retain businesses and jobs. As the enabling legislation states, “The purpose of the program is to encourage economic development and job creation and to preserve jobs that currently exist in New Jersey but which are in danger of being relocated outside of the State.” A positive aspect of the program’s structure, as with the structure of its predecessor – the Business Employment Incentive Program – is that in most cases the size of the tax credit award is calculated directly as a function of the number of jobs created or retained by the awardee, and in most cases the award calculation is twice as large for newly created jobs in the state versus existing jobs retained in the state. In addition, firms are required to maintain at least 80% of the employment indicated in the award agreement

each year, or the tax credit is not issued for that year.

To provide context for the job creation/retention figures discussed in the preceding section, it is helpful to look at the magnitude of job growth in New Jersey in recent years. From December 2010 (marking roughly the end of the employment declines resulting from the 2007-2009 recession) to December 2017, New Jersey added approximately 316,500 private-sector jobs – an average of just over 45,000 jobs per year, representing a compound annual growth rate of about 1.35%. This was slower than the national rate of private sector job growth of just over 2% annually for the same period. If fully implemented, the 59,000 jobs to be created and/or retained through Grow NJ projects would be equivalent to a relatively strong private-sector job growth year for New Jersey. (It should be noted however, that for projects in which firms relocated within the state, the retained jobs, while new to the counties and/or municipalities, would not represent new employment gains in the state.) The strongest year for New Jersey since 2010 was 2016, when the state added 63,000 private sector jobs. It is worth noting that 10,700 Grow NJ jobs were certified in 2016. If those firms had left or not come to the state (and the jobs created and/or retained were not replaced), the 2016 employment level would be lower by nearly 11,000 jobs.

A similar comparison of potential Grow NJ-assisted employment creation and retention to recent actual employment change is also useful at the county level. Table 6 provides the total actual private-sector non-retail employment levels and change by county for 2010-2017.⁷ These are the annual average county employment data reported by the U.S. Bureau of Labor Statistics for 2010 and 2017, and the change between the two periods. Table 7 provides the total new and retained Grow NJ jobs that *would be created* in each county if all 227 approved Grow NJ awards were certified at their full employment levels. There have to date been no approved projects in Salem or Cape May Counties, which had among the highest unemployment rates in the state in 2016 (in Cape May this is largely due to the seasonal nature of the tourism industry). There have been at least four awards approved in each of the other South Jersey counties, with the vast majority of activity concentrated in Camden County.

In some counties, the number of jobs to be created and/or retained is notable in comparison to the employment change over the past seven years as New Jersey emerged from the Great Recession. For example, in Hudson County, the 63 Grow NJ projects are expected to result in the creation of 12,371 new jobs and the retention of 6,905 existing jobs. This total of over 19,000 jobs is equivalent to roughly 74% of the non-retail employment growth in the county from 2010 through 2017 (note that some of the employment in the county represents the 6,646 new/retained Grow NJ jobs certified in 2016). In Camden County, the 7,008 jobs to be potentially created or retained by Grow NJ projects (including 781 certified new and/or retained Grow NJ jobs in 2016) are equivalent to about 53% of the total non-retail employment change from 2010 to 2017.

⁷ Retail projects are not eligible for Grow New Jersey credits; Grow NJ employment estimates are thus compared to non-retail private-sector employment change.

Table 6
Actual NJ County Private-Sector, Non-Retail Employment
Change, 2010-2017

County	2010	2017	Change	Average Annual Change
Atlantic	96,586	87,594	-8,992	-1,499
Bergen	324,567	346,713	22,146	3,691
Burlington	137,839	154,567	16,728	2,788
Camden	137,697	150,923	13,226	2,204
Cape May	24,787	26,670	1,883	314
Cumberland	37,613	40,895	3,282	547
Essex	235,191	244,597	9,406	1,568
Gloucester	62,327	70,733	8,406	1,401
Hudson	167,722	193,764	26,042	4,340
Hunterdon	31,420	33,416	1,996	333
Mercer	139,088	157,771	18,683	3,114
Middlesex	282,335	325,886	43,551	7,259
Monmouth	167,559	188,534	20,975	3,496
Morris	208,762	230,540	21,778	3,630
Ocean	94,341	112,381	18,040	3,007
Passaic	116,335	115,002	-1,333	-222
Salem	15,082	15,053	-29	-5
Somerset	128,585	150,346	21,761	3,627
Sussex	24,895	25,442	547	91
Union	161,503	162,041	538	90
Warren	23,162	22,402	-760	-127

Source: Quarterly Census of Employment and Wages, U.S. Bureau of Labor Statistics.

Table 7
Total Potential Grow NJ Jobs by
County

County	Potential Grow NJ Jobs
Atlantic	866
Bergen	4,839
Burlington	1,556
Camden	7,008
Cape May	-
Cumberland	1,308
Essex	3,545
Gloucester	808
Hudson	19,276
Hunterdon	-
Mercer	1,997
Middlesex	4,544
Monmouth	1,669
Morris	3,636
Ocean	1,081
Passaic	1,737
Salem	-
Somerset	4,571
Sussex	-
Union	732
Warren	14

Costs per Job

Of the 227 Grow NJ awards considered in this report, 214 (made to 211 companies) were calculated using the per-job formula accounting for location-based base awards and bonuses, subject to certain limitations.⁸ In total, based on their agreements and award calculations, these 214 projects were projected to create 27,252 new jobs in the state, and to preserve 28,006 existing jobs at risk of leaving the state. Based on the total approved awards of \$3.1 billion for these projects and the award formula, the average cost per newly created job for these awards is approximately \$7,650 per year, or \$76,500 over the ten-year period of most awards. Per-new-job costs ranged from as low as \$486 per year in the case of a project with an award limited by program rules, to as high as \$15,000 per year – the maximum allowed. Costs per retained job ranged from \$556 to \$15,000, with an average of \$3,670 per year. The average annual cost per job for all new and retained jobs for the 214 projects would be approximately \$5,589. These estimates assume that award levels are not reduced or otherwise modified based on employment levels or other factors.

Table 8 provides the annual cost per new and retained job by county, not including the Camden alternatives (new and retained job costs by municipality are provided in Appendix III). Annual costs per new job ranged from a low of \$4,542 in Bergen County to a high of \$10,367 in Atlantic County. Annual costs per retained job ranged from a low of \$1,875 in Union County to \$10,640 in Passaic County. The significantly higher per-job cost of the Camden alternatives results from the alternative calculation used to determine these awards. This issue is described in more detail below. For awards calculated using the standard per-job approach, the differences in average costs per job across counties are driven by a combination of base awards – which range from \$3,000 to \$5,000 per job, depending on project location and classification⁹ – and the number and type of bonuses for which projects are eligible.

⁸ Some awards were somewhat less than the calculation would indicate based on program rules capping the maximum possible award.

⁹ There is a \$500 base award category for project locations that do not fall into any of the other categories, but it has not yet been used.

Table 8 Annual Costs per job by County		
County	Cost per New Job (\$)	Cost per Retained Job (\$)
Atlantic	10,367	8,381
Bergen	4,542	2,569
Burlington	5,614	3,742
Camden*	8,938	7,992
-Camden Alternatives	34,061	34,061
Cumberland	7,450	4,510
Essex	9,409	3,628
Gloucester	7,997	4,423
Hudson	8,285	3,752
Mercer	7,278	3,752
Middlesex	6,789	2,298
Monmouth	5,152	2,492
Morris	4,881	2,547
Ocean	6,971	3,107
Passaic	10,190	10,640
Somerset	5,002	1,879
Union	7,581	1,875
Warren	7,500	-
*Does not include Camden alternatives.		

While there is no single generally accepted benchmark cost-per-job measure to which these figures can be compared, Pew Charitable Trusts’ Tax Incentives Project provided several citations of per job estimates. From a paper on stimulus policy during recessions, David Neumark estimates a total cost-per-job of state and federal hiring credits ranging from \$9,100 to \$75,000 and suggests costs might tend toward the lower end depending on the degree of indirect multiplier effects and the public costs (e.g., unemployment insurance) that might be reduced as a result of the credits.¹⁰ Pew also sites work by Jennifer Weiner suggesting the standard of \$35,000 “per full-time permanent equivalent” based on the federal Community Development Block Grant parameter.¹¹ Assuming a ten-year duration for full-time permanent jobs in the Neumark and Weiner examples, the costs per job of Grow NJ awards is generally consistent with these estimates, with the average \$7,650 per new Grow NJ job near the upper bound of Neumark’s range and the average \$3,670 cost per retained Grow NJ job in line with Weiner’s CDBG-based estimate. However, as the Pew Trust has noted, it is difficult to make such direct comparisons, as various states, programs and studies thereof use different methodologies and incorporate different measures of costs and fiscal impact into their calculations.

¹⁰ Neumark, David, “Spurring Job Creation in Response to Severe Recessions: Reconsidering Hiring Credits,” NBER Working Paper No. 16866, National Bureau of Economic Research, March 2011.

¹¹ Weiner, Jennifer, “State Business Tax Incentives: Examining Evidence of Their Effectiveness,” New England Public Policy Discussion Paper 09-3, December 2009.

Camden Alternatives

The other 13 Grow NJ awards were calculated under alternative rules applying only to projects in the city of Camden. Under these rules set forth in the enabling legislation, projects in Camden meeting certain thresholds for job creation and capital investment are eligible for awards with caps based on their capital investment, rather than on the per-job maximum of \$15,000. These parameters are shown in Table 9, excerpted from the NJEDA’s material on business incentives in Camden.¹²

Table 9
Camden Alternatives – Maximum Award Caps

Jobs - Minimum	Capital Investment - Minimum	Maximum Cap <i>Equal to the greater of: total tax credit amount for a qualifying project in a GSGZ or total cap investment of the project divided by the total number of new full-time jobs</i>
35	\$5 million	\$20 million
70	\$10 million	\$30 million
100	\$15 million	\$40 million
150	\$20 million	\$50 million
250	\$30 million	Uncapped

In total, these 13 projects are estimated to create 1,418 new jobs and retain 2,511 jobs already in the state. These projects, with their award amounts and related employment, as well as costs-per-job and median salaries, are listed in Table 10.

¹² http://www.njeda.com/pdfs/GSGZ_Camden.aspx

Table 10
Camden Alternative Awards

Project	Award	Term	Eligible Capital Investment	New Jobs	Retained Jobs	Annual Cost per Job (\$)	Median Salary (\$)
ACTEGA North America, Inc.	\$40,000,000	10	\$40,882,760	21	79	40,000	68,415
AeroFarms Camden, LLC	\$11,147,360	10	\$34,346,983	56	0	19,906	27,290
American Water Works Company, Inc;	\$164,187,735	10	\$165,689,476	100	596	23,590	94,347
Conner Strong & Buckelew Companies, LLC	\$86,239,720	10	\$86,240,000	111	157	32,179	72,050
E Mortgage Management LLC	\$23,658,600	10	\$23,659,194	0	86	27,510	72,000
EMR Eastern LLC and affiliates	\$148,589,900	10	\$148,589,900	285	62	42,821	52,000
Holtec International	\$260,000,000	10	\$260,000,000	235	160	65,823	86,265
Lockheed Martin Corporation	\$107,000,000	10	\$146,379,719	0	250	42,800	98,000
NFI, L.P.	\$79,377,980	10	\$79,380,000	0	341	23,278	54,928
Philadelphia 76ers, L.P.	\$82,040,507	10	\$82,040,507	250	0	32,816	45,000
Resintech, Inc.	\$138,817,600	10	\$150,217,500	173	92	52,384	37,080
Subaru of America, Inc.	\$117,832,868	10	\$117,832,868	100	500	19,639	87,500
The Michaels Organization, LLC	\$79,378,750	10	\$79,380,000	87	188	28,865	73,202
Total	\$1,338,271,020	10	\$1,414,638,907	1,418	2,511	34,061	

Of the 13 projects, 11 represent in-state moves. The total value of the Grow NJ awards for these 13 projects is approximately \$1.34 billion over 10 years. Based on these total awards, costs per job for these projects range from just under \$20,000 per year to over \$65,000 per year, with an average of about \$34,000 (the award amount for new and retained jobs is the same in Garden State Growth Zone municipalities), or 4.5 times the average award per new job for awards calculated on a per-job basis. As such, the annual per-job costs for these projects as a percentage of the median annual salaries for the jobs created/retained by the projects ranges from 23% to 141% in the case of Resintech, where the per-job award of \$52,384 exceeds the median average salary of \$37,080 by 40%. On average for all 13 projects, annual costs-per-job represented approximately 53% of the median salary level (on an employment-weighted basis).

Because these awards were not calculated on a per-job basis, detailed information on bonuses for which these projects would qualify was not available. However, assuming the maximum cap of \$15,000 per job for per-job award calculations, the cumulative awards for these 13 projects would total approximately \$589.4 million – less than half of the value actually awarded under the alternative approach. These awards (as with all projects in Camden) are not limited to the amount required to complete the project relative to other potential locations, while projects calculated on a per-job basis that are approved for awards greater than \$4 million per year are required to demonstrate the difference in costs between the New Jersey location and locations considered outside the state. For example, the incentive award for the Philadelphia 76ers practice facility was approximately \$82 million, while the cost differential between the two sites was calculated to be approximately \$42.5 million over the 15-year commitment duration of the incentive. This difference was based on approximately \$49 million in higher initial capital costs in New Jersey versus the alternative site in Philadelphia, but slightly lower annual costs in New Jersey. However, approximately \$16 million of the difference in capital costs was attributable to the larger size of the facility in New Jersey (approximately 50% larger).

Recommendation: The effort to encourage large scale development projects in the city of Camden as reflected in the legislative establishment of alternative incentive calculations for the city appears to have been effective, to the degree that the scale of the awards played a role in attracting them to the city. At the same time, it should be noted that, by design, these costs are significantly higher than for other projects, even those in GSGZs. Based on these cost considerations alone, we would urge NJEDA and the legislature to re-examine the structure of this award type. There appears to be an intention in the legislation to encourage the type of large-scale capital investment targeted by these awards. If expenditures on a per-job basis are a concern, there may be approaches that would more closely tie awards to the same job creation/retention criteria used for other projects, while still encouraging large-scale capital investment in Camden or elsewhere. We note that there is already a per-job bonus of up to \$5,000 available for capital investment in excess of minimum requirements that serves this purpose to some degree. This could be sufficient, or could serve as the basis for a restructured formula that continues to reward significant investment, while also tying it to job creation.

BONUS CATEGORIES

SUMMARY

This section describes the use of the various award bonuses and how the bonus categories impact the per-job awards in the Grow NJ program. Findings include:

- Over half of the 157 projects qualifying for the target industry bonus are in the manufacturing industry. These projects are intended to create over 6,600 new jobs and account for over \$900 million of the total awards. The manufacturing bonus accounts for approximately 5.3% of the total awards for these projects, indicating a relatively low- cost means of targeting prioritized industries.
- Several bonus categories are seldom or never utilized by businesses, while a few exhibit signs of redundancy, possibly rewarding the same behavior twice.

Grow NJ augments base per-job award amounts with additional bonuses for businesses that fit certain categories, locate in certain areas or adopt certain practices. These bonuses are shown in Table 11, excerpted from the NJEDA Grow NJ website. (More detailed explanations of bonus categories are provided in Appendix I.)

Table 11 Grow NJ Bonus Categories	
Bonus Type* <i>(*Summarizes bonus types most widely available.)</i>	Bonus Amount Per Job, Per Year
Deep poverty pocket or Choice Neighborhood Transformation Plan area	\$1,500
Qualified business facility in a vacant commercial building having over one million sq. ft. of office or laboratory space available for occupancy for a period of over one year (qualified buildings listed here).	\$1,000
Project location at or within a three-mile radius of the campus or satellite campus of a New Jersey college or university other than a doctoral university, and the facility is used by the business to conduct a collaborative research relationship with the college or university	\$1,000
Qualified incubator facility	\$500
Mixed-use development with mod. income housing for min. of 20% of full-time employees.	\$500
Transit oriented development	\$2,000

Excess capital investment in industrial site for industrial use - <i>Excludes mega projects.</i>	\$3,000 maximum
Excess capital investment in industrial site for industrial use - <i>Mega projects or GSGZ projects.</i>	\$5,000 maximum
Median salary in excess of county's existing median or in excess of municipal median for GSGZ	\$1,500 maximum
Large numbers of new and retained full-time jobs:	
251 to 400	\$500
401 to 600	\$750
601 to 800	\$1,000
801 to 1,000	\$1,250
1,001+	\$1,500
Business in a targeted industry	\$500
Exceeds LEED "Silver" or completes substantial environmental remediation	\$250
Located in municipality in Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean and Salem counties with a 2007 MRI Index greater than 465	\$1,000
Located within a half-mile of any new light rail station	\$1,000
Projects generating onsite solar energy of at least 1/2 of the project's overall energy needs.	\$250

Of the 214 awards made to 211 companies (excluding the Camden alternatives) included in the analysis, 207 included at least one bonus. The breakdown of bonuses by category is provided in Figure 8. The most commonly used bonus category provides an additional \$500 per newly created job (\$250 per retained job, in most cases) for companies in a selection of targeted industries (157 awards). Other commonly used bonuses include the \$1,500 per-new-job bonus for jobs with median salaries in excess of the county or GSGZ level; the \$2,000 per job bonus for transit oriented development (TOD), the bonus for retaining or creating large numbers of jobs, and the bonus for significant capital investment above the minimum requirements of the program.

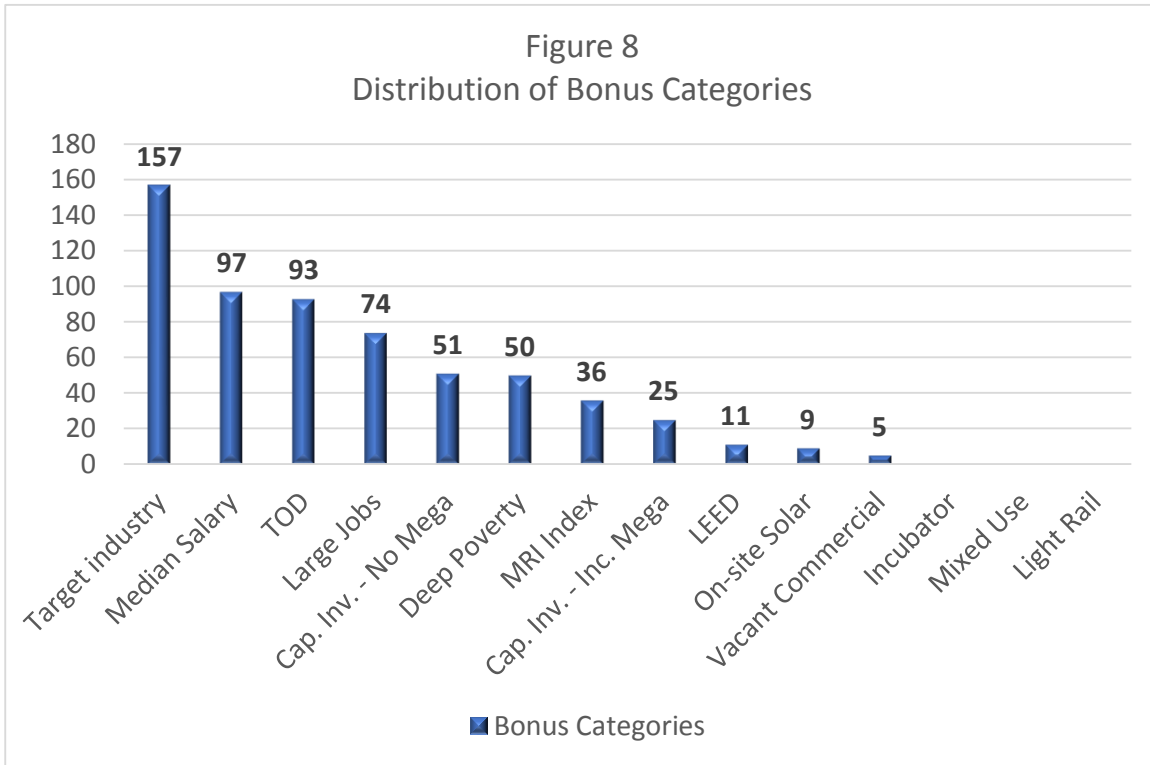
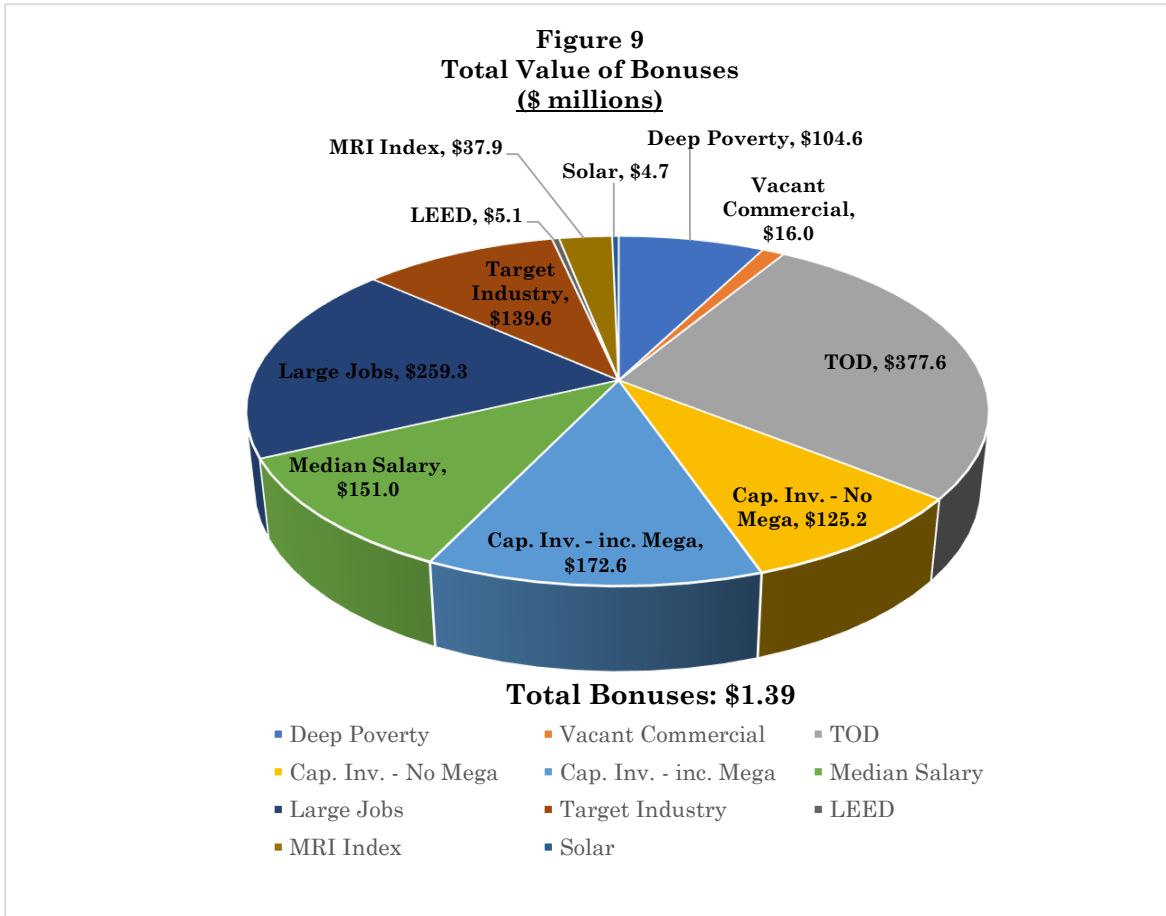


Figure 9 provides the total cost of each bonus category. In all, the share of total awards of \$3.1 billion accounted for by bonuses is approximately \$1.39 billion, or approximately 45%, with the bonus share of any individual award ranging from as low as 6% to as high as 67%, with an average of about 42%. Thus, the bonuses represent a significant addition over and above the initial base amount of the award.



The bonus for transit-oriented development, used by 93 projects (43%), represented the largest share of the total value of bonuses, accounting for \$378 million of the \$1.38 billion total. The bonus for creating large numbers of jobs (74 projects) accounted for \$259.3 million of the total. Other bonuses accounting for large shares of the total bonus amount include those for capital investment in excess of the minimum program requirement (\$297.8 million, including Mega projects, or 21% of the total bonuses), for creating and/or retaining jobs with a median salary at or above the county median (\$151 million, or 10.8% of the total), and for businesses in target industries (\$139.6 million, or 10% of the total).

Figure 10 shows the extent to which each bonus category accounts for the costs of the awards of which it is a part. Table 12 provides aggregate data for each bonus category. The highest shares of total award costs are accounted for by the bonuses for excess capital investment for certain types of industrial sites, which accounts for 35-36% of the value of the awards for which they are used, depending on whether they are Mega projects. The bonus for excess capital investment in Mega projects also represents the highest average bonus per award (an average of \$6.9 million for 25 awards). The bonus for transit-oriented development, which accounted for the largest total dollar amount of bonuses, represents 21% of the total dollar amount of the 93 awards to which it applies. Some bonuses representing significant shares of the total dollar amount of bonuses are both relatively widespread in their use and represent relatively smaller shares of the total awards to which they apply. For example, the relatively low bonuses for businesses in target industries (\$500 per job) and businesses with average salaries above the county median (starting at \$250 per job) are applied to 157 and 97 projects, respectively, but account for only 6% and 8.2%, respectively, of the total dollar amount of those awards.

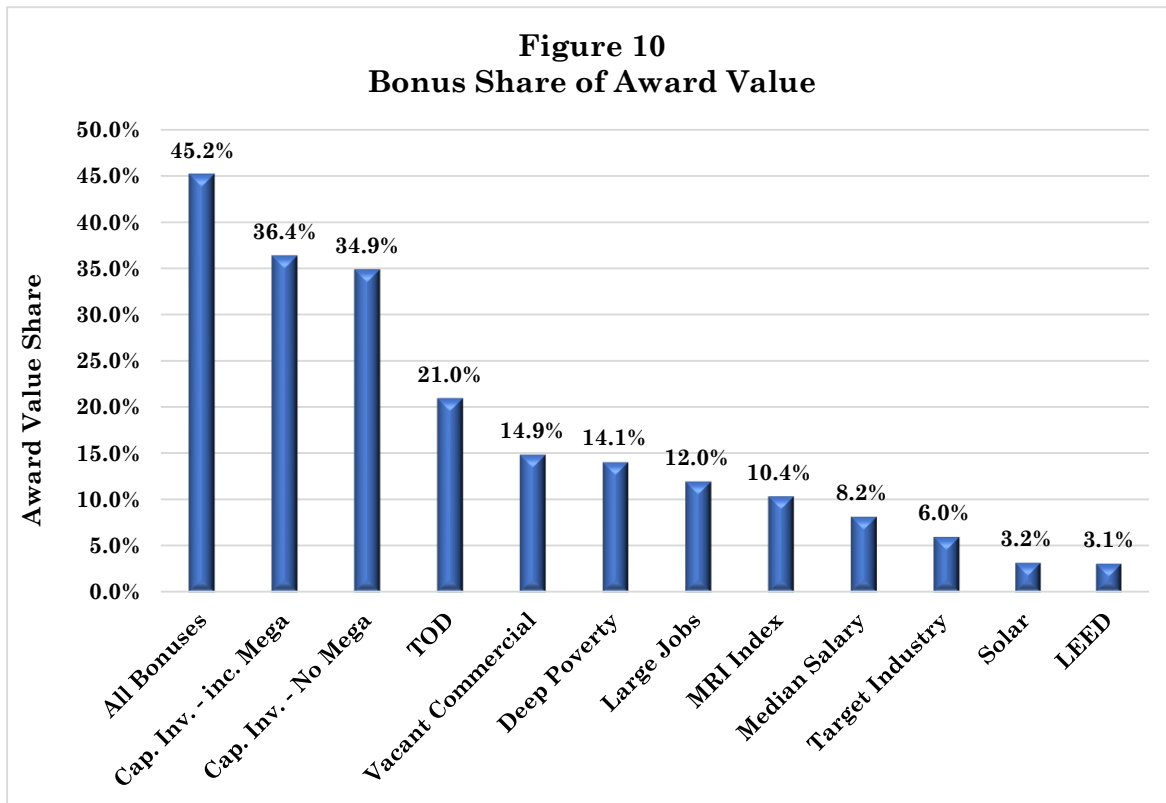


Table 12
Bonus Share of Awards
(excludes Camden exceptions)

Bonus Type	% of Award Amount	Min	Max	Number of Projects	Bonus Amount	Total Awards
All Bonuses	45.2%	0.0%	66.7%	214	\$1,394,659,980	\$3,088,292,985
Deep Poverty	14.1%	10.0%	23.1%	50	\$104,599,206	\$743,237,235
Vacant Commercial	14.9%	8.2%	25.0%	5	\$15,996,827	\$107,183,340
TOD	21.0%	13.3%	40.0%	93	\$377,625,090	\$1,797,753,495
Cap. Inv. - No Mega	34.9%	24.0%	46.2%	51	\$125,238,904	\$359,324,540
Cap. Inv. - inc. Mega	36.4%	11.1%	46.5%	25	\$172,613,706	\$474,333,240
Median Salary	8.2%	1.7%	30.0%	97	\$150,960,365	\$1,834,549,660
Large Jobs	12.0%	3.9%	31.6%	74	\$259,338,660	\$2,163,477,505
Target Industry	6.0%	3.3%	14.3%	157	\$139,605,397	\$2,331,937,730
LEED	3.1%	1.7%	6.7%	11	\$5,061,975	\$162,447,550
MRI Index	10.4%	6.7%	20.0%	36	\$37,862,019	\$364,350,195
Solar	3.2%	1.7%	6.7%	9	\$4,707,831	\$149,173,980
Light Rail	-	-	-	-	-	-
Incubator	-	-	-	-	-	-
Mixed Use	-	-	-	-	-	-

Target-Industry Bonus

The target industry bonus is the most commonly used of the bonus categories, with 157 of 214 projects qualifying. The bonus accounts for \$139.6 million, or 6% of the total value of the awards for qualifying projects, which are planned to create and/or retain a total of over 39,000 jobs. Thus, overall, use of the target industry bonus is widespread, but relatively low- cost as a share of the total cost of awards using the bonus. The breakdown of these bonuses by target industry is provided in Table 13.

Table 13 Distribution of Target Industry Bonuses					
Sector	Projects	Target Industry Bonuses (\$)	Total Awards (\$)	New Jobs	Retained Jobs
Manufacturing	85	48,964,423	919,345,040	6,648	6,092
Finance	28	47,221,244	840,580,160	8,046	4,683
Technology	15	15,286,095	216,968,190	2,328	1,718
Life Sciences	13	15,156,183	178,372,970	1,198	4,452
Health	7	8,335,271	117,137,230	782	1,617
Logistics	6	2,642,248	31,609,360	165	745
Energy	2	1,649,932	22,849,780	115	443
Transportation	1	350,000	5,075,000	70	0
Total	157	139,605,397	2,331,937,730	19,352	19,750

Over half of the 157 projects qualifying for the target industry bonus are in the manufacturing industry. These projects are intended to create over 6,600 new jobs and account for over \$900 million of the total awards. The target industry bonus accounts for approximately 5.3% of the total awards for these projects, again indicating a relatively low- cost means of targeting prioritized industries.

Issue #1: Several bonus categories are seldom or never used.

Table 14 provides a further parsing of bonuses issued by the category of base award, allowing for further examination of the bonus categories. The bonuses available for qualified incubator facilities, mixed-use developments and projects in proximity to light rail stations are excluded as they have not been used.¹³ NJEDA should consider whether these bonuses and other never- or seldom-used bonus categories should be revised.

For example, the bonus for on-site solar energy production provides an increase of \$250 per new job per year for projects that generate solar energy for use within the project of an amount equal to at least 50% of the project’s annual electricity needs. Only nine projects have thus far used this bonus. This may indicate that the 50% threshold is too high to effectively encourage adoption of on-site solar production and that a lower threshold might encourage more widespread adoption. Similarly, the bonus for businesses taking space in large vacant commercial facilities that have been vacant for over one year has only been used by five projects, and NJEDA listed only four such properties on its website as of May 2016 (note that the list is not exhaustive). It is possible that vacant properties smaller than 1million square feet (but still relatively large) might also attract applicants interested in a wider range of possible locations.

¹³ Other newer bonus categories have also not yet been used, but were not part of the analysis.

Table 14
Bonus Categories by Base Award

Base Award	Projects	Deep Poverty Pocket	Transit-Oriented Development	Excess Capex (non-Mega)	High Median Salary	Large #s of Jobs	Target Industry	LEED Silver	Excess Capex (Mega)	High MRI Index in South Jersey	Onsite Solar	Vacant Commercial
Distressed Municipality	57	10	7	30	12	12	39	4		21	4	1
GSGZ	28	27	25		13	3	24	1	18	15	3	
HUB	56	11	52	6	41	19	38	5				
Mega Project	15	2	5		7	15	12		7		1	1
Priority Area	58		4	15	24	25	44	1			1	3
Total	214	50	93	51	97	74	157	11	25	36	9	5

Issue #2: Transit-Oriented Development (TOD) Bonus Redundancy

Of 56 projects with a base award for locating in an Urban Transit Hub, 52 of them qualify for the Transit-Oriented Development bonus, which provides an additional \$2,000 (\$1,000 per retained job in most cases) – or 40% increase in the award – per new job. While there are a few Urban Transit Hub awards that do not qualify for the TOD bonus, the geography of Urban Transit Hub municipalities focuses development in areas that qualify as TOD.¹⁴ The Urban Transit Hub projects with TOD bonuses are approved for awards totaling over \$840 million. The TOD bonuses account for approximately \$193 million of this total, or about 23%. Similarly, in the Garden State Growth Zones, three out of five of which are also Urban Transit Hub municipalities (Trenton, Camden and Paterson), 25 of the 28 approved GSGZ projects also qualified for the TOD bonus. Of the \$367.5 million in approved awards for these projects, \$59.3 million, or about 16%, consists of TOD bonuses. This overlap of bonus categories with base awards for Qualified Incentive Areas raises the question of whether the TOD bonus is redundant in these areas, rewarding a decision that is already in most cases a simple fact of locating in either an Urban Transit Hub or GSGZ.

Recommendation: We suggest that NJEDA consider reducing or eliminating this bonus for Urban Transit Hubs and GSGZs. For this and other bonuses, we also recommend that NJEDA consider the possibility of replacing some bonus categories with increases in base awards. Though such an approach might remove emphasis from certain types or areas of development, it could result in more efficient allocations of funds. For example, the TOD bonus used by 93 projects accounts for over \$377 million. We estimate that adding \$500 to the base award for every project (not including Camden alternatives) would increase total awards by approximately \$190 million. Such a shift could serve to broaden the reach of the awards while simplifying the program and reducing overall costs.

¹⁴ The program rules define transit-oriented development as "a qualified business facility located within a 1/2-mile radius, or one-mile radius for projects located in a Garden State Growth Zone, surrounding the mid-point of a New Jersey Transit Corporation, Port Authority Transit Corporation, or Port Authority Trans-Hudson Corporation rail, bus, or ferry station platform area, including all light rail stations. For the purposes of determining the transit project bonus pursuant to N.J.A.C. 19:31-8.8(c)4, a bus station platform is a terminal as listed on the EDA's website at www.njeda.com."

Issue #3: Large Job Creators Bonus Redundancy

The bonus to firms creating and/or retaining at least 250 jobs is somewhat redundant for Mega Projects and to some degree for other projects as well. [As of January 2018, EDA no longer accepts applications for businesses under the Mega project designation; however, we note its overlap with the bonus for large employers to illustrate possible cost redundancies.] The value of the bonus ranges from \$500 to \$1,500 per job, depending on the number of jobs created/retained. This bonus was applied for all 16 Mega projects included in this review, accounting for approximately \$103.8 million of the total awards of \$838.5 million approved for these projects. In most cases, the Mega project base award was available to firms in certain industries locating in certain areas that are required to create/retain a minimum of 250, or in some cases 1,000 jobs, as well as meeting certain capital investment requirements.¹⁵ Because the designation of a Mega project already in some cases carries with it a higher base award than would otherwise have been available based on capital investment and employment requirements,¹⁶ the additional bonus for creating large numbers of jobs at least in part rewards firms for meeting criteria that had already been rewarded as part of the Mega Project base award. In a broader sense, there is some redundancy in this bonus category itself. As awards are calculated on a per-job basis, there is already a significant financial incentive for those firms that create large numbers of jobs. Further, because the bonus is applied for *all* jobs created by a project, rather than for the additional jobs created above each threshold, the addition of a single job can significantly increase the cost of the award. For example, a project creating 250 new jobs would not qualify for the bonus at all, but would receive a \$500 bonus for *each* job annually if it created one more job – a total of \$125,500 per year. Similarly, under the current structure a project creating 1,000 new jobs would be eligible for a bonus of \$1,250 per job for a total of \$1.25 million; by adding one additional job, the per-job award would increase to \$1,500, resulting in a total bonus of \$1.5 million – an additional award of \$251,500 annually.

Recommendation: While the Mega project designation no longer exists, this bonus still contains some redundancy in costs for other project types as well. We recommend that EDA consider eliminating this bonus or revising it to apply the per-job bonuses only to the marginal jobs created in excess of each threshold.

¹⁵ For projects located in certain areas of Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean or Salem counties and meeting certain capital investment requirements, the minimum employment is 150 jobs for classification as a Mega Project. The four approved Mega Projects in those counties all qualify with at least 250 jobs.

¹⁶ For some Mega project designations, such as those located in Urban Transit Hubs, the base award would be the same whether the project met the Mega requirements or not.

Issue #4: Deep Poverty Pocket Redundancy

The \$1,500 per-job bonus for locating in a Deep Poverty Pocket or Choice Neighborhood Transformation area is part of 52 awards, including 27 of 28 GSGZ awards. For these 27 awards, the bonus accounts for \$245.2 million of \$417.1 million in total awards, or about 59%. As in the case of the TOD bonus, this overlap between the base award location and that of the bonus category suggests that there is some redundancy in the bonus for these areas. However, the bonus may be incentivizing location in these particular tracts as opposed to other areas of these cities. We note that of 24 Census tracts in Trenton, 19 qualify, as do 12 of 14 in Passaic, 25 of 33 in Paterson, all 17 in Camden and 13 of 14 in Atlantic City.

Recommendation: We recommend that NJEDA examine in more depth whether this bonus is influencing site selection within the GSGZs.

Issue #5: MRI data needs updating

To date, the program has relied on Municipal Revitalization Index values calculated using 2007 data.

Recommendation: This index has recently been reformulated and updated by the New Jersey Department of Community Affairs and the more current values should be used in determining eligibility for this bonus in the future.

USE OF BENEFIT-COST TEST IN AWARD EVALUATIONS

SUMMARY

This section explores the use of the benefit-cost test in the Grow NJ award evaluations. A more detailed and technical discussion of the benefit-cost test can be found in Appendix V. Findings in reviewing the benefit-cost test include:

- A benefit-cost ratio higher than 1.1 would reflect the element of uncertainty regarding the role of the award in the retention or attraction of any given firm and could potentially reduce the number of approved awards or require a reduction in the size of many awards relative to the projects' projected benefits.
- Benefit-cost ratios for the 227 projects considered in this report range from 1.0 to as high as 26.9. The average benefit-cost ratio for all projects is approximately 5.9; the cumulative average (weighted by award size) is 2.5, but rises to 5.4 when the Camden alternatives are excluded from the calculation (the arithmetic average is only slightly higher at 6.1).
- A number of revisions to the benefit-cost methodology have already been adopted by NJEDA in order to make the calculated benefit-cost ratios more accurate, and in most cases, more conservative. A series of further technical revisions are recommended for the benefit-cost model that have a variety of potential effects on calculated benefits.
- Further research is suggested to provide an empirical comparison between benefit-cost models, across regions and job types, in order to identify how raising the benefit-cost threshold would affect past and future awards.

The EOA legislation directs NJEDA to use a benefit-cost test to determine whether applicants qualify for Grow NJ awards. The test compares the benefits of the award – measured in terms of the state and local tax revenues associated with both the project's initial capital expenditures and with the firm's operations – with the costs – the dollar value of the tax credits granted to the applicant. Benefit-cost analysis is a useful tool both for organizing and categorizing the types of benefits and costs that might arise over time in relation to a proposed expenditure, and for estimating the magnitude of those benefits and costs. Benefit-cost models can play an important role in evaluating projects such as those implemented under Grown NJ and ERG, helping to understand how different benefits and costs accrue over time. At the same time, the results of such models are highly sensitive both to their own underlying structure and parameters, and to the model inputs used to analyze a given project or other initiative. In addition, the context in which the results – in terms of a net benefit or benefit-cost ratio – of a benefit-cost analysis are interpreted should be carefully considered as part of the decision-making process.

In this section, we first discuss the overall benefit-cost framework used in assessing Grow New Jersey awards. In particular, we examine the benefit-cost thresholds that projects are required to meet in order to be approved. We then highlight several model revisions adopted by EDA, as well as additional issues regarding model inputs and parameters that require further attention. Appendix V examines in detail the parameters and inputs used in measuring the benefits and costs of proposed Grow NJ projects and the effect of certain changes, some of which have already been adopted, on benefit-cost calculations. Careful examinations of the benefit-cost calculations for several awards are presented to highlight the impact of the various parameters and changes on the benefit-cost calculus.

Benefit-Cost Analysis Thresholds

A key question surrounding location incentives like Grow NJ is whether they actually affect firm behavior, or whether they may reward decisions that firms would have made even in the absence of the incentive. There is a wealth of academic literature examining this question and supporting both sides of the issue. We do not seek here to provide a definitive answer; however, we do suggest an approach for considering the benefits and costs of the Grow New Jersey awards that accounts for the uncertainty surrounding the effect of incentives on firm behavior.

In a 2015 paper, Duanjie Chen of the University of Calgary, citing Sebastian James of The World Bank, provides a set of metrics for codifying the extent to which tax incentives have influenced firm behavior. These include:

- “Redundancy ratio: the amount of investment that is within the TIP [Tax Incentive Program] target *but* would be in place even without the TIP, as a share of the total investment within the target of TIP.”
- “Displacement share: a ‘net addition’ of investment within the TIP target (e.g., the targeted geographic area, or business line, or capital size, or investor’s nationality, etc.) may include a relocation (i.e., displacement) of existing capital from outside of the TIP target; such a net addition within the TIP target represents a “washout” within the overall economy and a sure loss in both economic efficiency and government revenue. This displacement effect should be measured as a share of the additional investment truly attributable to the TIP. A high displacement share indicates a great efficiency and revenue loss; and vice versa.

While in practice it is not necessarily possible to measure these indicators directly, they do provide a helpful framework for considering the costs of incentives.

As previously noted, Grow NJ applicants are initially required to demonstrate that there is a cost differential between the proposed New Jersey site and an alternative project site outside the state. The Grow NJ program further requires the CEOs of companies receiving Grow NJ credits to attest that credits constitute a material factor in the company’s

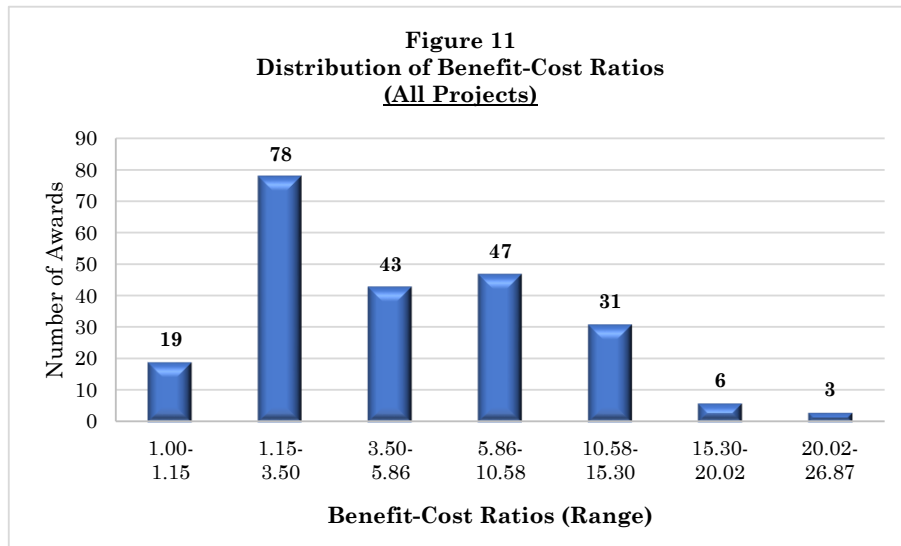
decision. However, even with this provision and a demonstrated cost differential, it would still be prudent for the benefit-cost evaluation structure to reflect the possibility that not all economic activity associated with the awards is necessarily a direct product thereof. The current benefit-cost parameters for the program do not embody this possibility.

Under the Economic Opportunity Act of 2013, the current analytical framework for Grow NJ requires that the ratio of benefits to costs for proposed awards be at least 1.1 (110%) for most awards (or 1.0 (100%) in the case of Garden State Growth Zone awards). Benefits consist of corporate business taxes, income taxes to be paid by the workers in the new and retained jobs, and local property taxes, as well as the income taxes and sales taxes generated indirectly via the economic ripple or “multiplier” effects of the awardees’ operations. While this standard – a benefit-cost ratio of (or 1.0 for GSGZs) does require the calculated benefits – in terms of state and local tax revenue – to exceed (or equal) the cost of the credits for a given project, it *effectively assumes very low* redundancy ratios and displacement shares. In other words, these benefit-cost thresholds assume that all or nearly all (91%, or 100% for GSGZs) economic activity associated with these projects would not have occurred in the state were it not for the awards.

Considered from this perspective, a higher benefit-cost ratio would reflect an element of uncertainty regarding the role of the award in the retention or attraction of a given firm. For example, with a benefit-cost threshold of 2.0, even if only 50% of a given firm’s benefits were attributable to the effect of the award, it would still pass the benefit-cost test. Similarly, with a threshold of 5.0, one could state that even if only 20% of the benefits were attributable to the award, it would still pass the test. While in reality it is not possible to attribute a given percentage of the benefits to the award, such an approach - which would in practice reduce the number of approved awards, or alternatively, require a reduction in the size of many awards relative to the projects’ projected benefits – would reflect the uncertainty surrounding the attribution of benefits to the awards.

Benefit-cost ratios for the 227 projects considered in this report range from 1.0 (100%) to as high as 26.9 (2,687%). The (arithmetic) average benefit-cost ratio for all projects is approximately 5.9; the cumulative average (weighted by award size) is approximately 2.5, but is approximately 5.4 when the Camden alternatives are excluded from the calculation (the arithmetic average is only slightly higher at 6.1). This difference results from the relatively high value of the 13 Camden alternative awards (\$1.3 billion in total) and their relatively low benefit-cost ratios, ranging from 1.0 to 2.4 with a weighted average of 1.4.

The distribution of projects by benefit-cost ratio is shown in Figure 11. Table 15 provides the distributions of benefit-cost ratios for all projects, as well as separate distributions for projects creating only new jobs and those with retained jobs in the state. There are 19 projects with benefit-cost ratios between the minimum of 1.0 and 1.15 (one standard deviation below the average), including six Camden alternatives. These 19 projects with the lowest ratios account for just under \$873 million in credits and are projected to have an aggregate net benefit (i.e., net of awards) of \$46.5 million over ten years. The awards for some of these projects were limited to an amount less than the per-job calculation in order to comply with the requirement of a minimum 1.1 benefit-cost ratio.



As shown in Table 15, the benefit-cost ratios for projects creating only new jobs tend to be lower than those for in-state moves that include retained jobs. The average (mean) for projects creating only new jobs is 4.5, vs. 6.85 for in-state moves. This in part reflects several in-state projects with very high ratios.

Table 15
Distribution of Benefit-Cost Ratios

All Projects (227)		New Jobs Only (95)		New & Retained (132)	
<i>Cutoff</i>	<i>Frequency</i>	<i>Cutoff</i>	<i>Frequency</i>	<i>Cutoff</i>	<i>Frequency</i>
1.15	19	1.15	11	1.64	17
3.50	78	2.73	24	4.25	39
5.86 (mean)	43	4.50 (mean)	25	6.85 (mean)	20
10.58	47	8.03	21	12.05	34
15.30	31	11.57	8	17.25	18
20.02	6	15.11	5	22.46	2
26.87	3	15.59	1	26.87	2

There are 140 projects with benefit-cost ratios at or below the average of 5.9. These projects have been approved for awards totaling approximately \$3.4 billion. The 87 projects with benefit-cost ratios at or above the average have total awards of approximately \$1.04 billion. Thus, for example, if a higher benefit-cost threshold of 6.0 were required, either the 140 projects below that threshold would not qualify for the program, or their total costs would need to be reduced by approximately \$2 billion in order to reach that threshold. Some awards with benefit-cost ratios of 1.1 had already been limited in a similar way. That is, their calculated net benefits did not exceed their calculated awards by a sufficient amount to achieve the required 1.1 ratio, and awards for nine projects (non-Camden exceptions) were thus reduced by an aggregate total of \$12.5 million in order for them to achieve the requisite 1.1 benefit-cost ratio. Table 16 shows the number of projects that would require a reduction in their award in and the total dollar reduction in awards that would be necessary for all projects to pass the benefit-cost test given higher qualifying thresholds under the current benefit calculation methodology.

Table 16		
Award Reductions for Higher Benefit-Cost Thresholds		
Benefit-Cost Ratio Threshold	Number of Projects	Total Award Reduction
2	51	\$0.57 billion
3	79	\$1.06 billion
4	111	\$1.32 billion
5	132	\$1.73 billion
6	140	\$1.99 billion

As noted above, a benefit-cost threshold of 1.0 assumes that all direct and indirect economic activity associated with the project is attributable to the receipt of the tax credit, and would not have occurred but for the credit. By the same token, in the case of the maximum benefit-cost ratio of 26.9 (assuming for purposes of the example that this is a

correct calculation), even if only 4.1% of the benefits were attributable to the incentive, the project would still pass the 1.1 benefit-cost threshold ($1.1 / 26.9 = .0409$) for regular awards and would need only 3.7% of its benefits to be realized to pass the 1.0 threshold for GSGZs. Similarly, a project with a benefit-cost ratio of 2.0 passes the 1.1 benefit-cost threshold even if only 55% of its benefits are attributable to the award.

Recommendation: Given the uncertainty inherent to the benefit calculations themselves (i.e., the calculations are based on estimates of average salaries, tax rates, corporate and other expenditures *and* the estimated indirect multiplier effects of these expenditures), as well as the uncertainty regarding the effect of incentives on firm decisions, we recommend considering a higher benefit-cost threshold that reflects the possibility that firm decisions are not necessarily wholly predicated on receipt of the credits – i.e., that there is some possibility that the benefits would have occurred even in the absence of the award. A higher benefit-cost threshold would require that the proposed project demonstrate significant benefits relative to the calculated award, and would effectively lower the cap on award size for those applicants for which the calculated benefits are not significant relative to the calculated award.

Technical Parameters and Inputs for Benefit-Cost Analyses

In considering a framework for the use of benefit-cost analysis in evaluating Grow NJ project proposals, it is important to examine the technical parameters used in the benefit-cost analyses used for project approvals to date and for those in the future, in order to ensure that, whatever the thresholds set for project approval, the benefit-cost ratios calculations are conducted using proper approaches and assumptions.

We have previously submitted, under separate cover, a draft memorandum outlining several recommendations for revisions to the parameters used in the benefit-cost analyses. The memorandum and these recommendations comprise a part of this analysis and the original draft memorandum is attached as Appendix IV. Since submission of that memorandum, further review and analysis has indicated several additional areas of concern in the model's parameters and its use. Here, we summarize the recommendations set forth in the original memorandum, and list several other general recommendations for revisions to the benefit-cost analysis methodology. A detailed discussion of these recommendations and their potential effect on the results of benefit-cost analyses are provided in Appendix V.

The recommendations in the original memorandum that were adopted by NJEDA include:

- Limiting the benefit calculation to a 15-year horizon, to align with the statutory requirement that firms receiving Grown NJ awards remain in the state for 15 years. The previous approach calculated the stream of benefits over a period up to 35 years. The new approach allows only the additional property taxes associated with the capital improvements to be included in the benefits stream after the fifteenth year. An analysis of eleven projects provided by

Jones Lang LaSalle found that this change reduced total estimated benefits by between 17% and 45% (Table 17). Note that these percentages do not represent reductions that would have been made in Grow NJ awards. Rather, they would be reductions in the estimated economic benefits, used in the benefit-cost analysis, of the firms’ activity in New Jersey. According to JLL, in most cases, these reductions in the state benefit calculation would not alone have been sufficient to have required a reduction in firms’ awards in order to meet the required 1.1 benefit-cost threshold.

Table 17 Reductions in Calculated State Economic Benefits due to Change in Term of Benefit Calculation		
Project	Benefit Reduction	
	\$	%
Metro	-21,231,343	-17.1%
Jackson	-5,417,963	-19.9%
Stay Fresh	-4,090,605	-19.3%
Spirit	-2,087,882	-17.2%
Rubber	-1,780,440	-19.8%
Plastics	-2,292,018	-35.6%
Accurate	-37,397,502	-34.2%
LBU	-6,205,091	-39.3%
Manhattan	-5,837,839	-19.4%
Super Flex	-5,215,434	-19.8%
Amerinox	-5,628,532	-44.8%

- Determining gross income tax rates on direct and indirect jobs using a formula that takes into account estimated salaries and data on the distribution of filers across status and income groups. This results in more precise estimates of the GIT benefits relative to the effective rate of 4% previously used. A review of several projects with benefits calculated under the revised approach indicate effective income tax rates of between 1.9% and 3.2%. In the case of projects with higher estimated average salaries (over \$90,000 for single filers and over \$170,000 for married filers), under current New Jersey income tax rates the 4% effective rate would have underestimated the GIT portion of the benefit calculation. In addition to this change, NJEDA also incorporated New Jersey’s Earned Income Tax Credit into the GIT calculation, adding further precision.

Recommendations not adopted include:

- Discounting the cost side of the benefit-cost calculation. Benefit-cost analyses use discounting to put present and future costs into a common metric of present value. Adopting this change would actually serve to *increase* the calculated benefit-cost ratio for any given project by discounting the stream of costs (i.e.,

the tax expenditure associated with the credit) over the 10-year period of the award. Generally, this approach would *decrease* the net present value of the cost of a given award by approximately 26%. In order to maintain a conservative approach to the calculation of benefit-cost ratios, NJEDA has opted to continue using the full (i.e., undiscounted) value of costs in its calculations.

- Adoption of an alternative discount rate reflecting the current cost of capital to the state. The model was amended, however, to reflect a lower real growth rate of 2.25%, rather than the previous 3%.

Based on review of the benefit-cost model, we recommend a number of technical revisions that can, but do not necessarily, have significant effects on the results of benefit-cost analyses for Grow NJ projects. We discuss two of the more potentially impactful of these issues below, with a more thorough discussion of the technical recommendations provided in Appendix V.

Appropriate Inclusion of Property Tax Revenues

Benefits included in the model include local property taxes to be paid on the improvements made to property by the capital expenditures associated with each project. These taxes are usually estimated at 3% on the value of eligible construction expenditures. Garden State Growth Zones have the option of offering tax exemptions on these improvements. In Camden, Trenton and Passaic, Grow NJ projects are exempt from payment of property taxes on these improvements for the first five years, or in the case of projects designated as Garden State Growth Zone Development Entities, ten years after project completion. In the latter cases, property taxes are then phased in at 10% per year over the subsequent 10-year period (years 11-20). However, we note that, according to the program rules, the benefit-cost analyses for projects in these areas nevertheless include these tax revenues in full in the benefit stream for the entire analysis period. For projects with significant capital expenditures, these estimated revenues can constitute a significant portion of the projected annual benefits even though such benefits are not realized by the state or municipality. A review of a selection of the Camden alternatives shows property taxes accounting for between 15% and 44% of annual project benefits. For those projects with relatively low benefit-cost ratios where these taxes represent a large share of the calculated benefits, their inclusion may have resulted in the benefit-cost threshold of 1.0 being attained when it otherwise would not have been, even when benefits were calculated over a 35-year period in cases prior to the adoption of the revised modeling parameters.

Recommendation: We recommend that these non-realized tax revenues be excluded from future benefit-cost analyses.

Use of State-Level Multipliers

The calculation of a project's benefits includes tax revenues generated both through the direct activity of the firm (e.g., income taxes paid by the firm's employees), and through the additional indirect economic activity that occurs as a result of the firm's initial operating and capital expenditures. Economic multipliers are tools used to estimate the magnitude of this latter, indirect economic activity that occurs as the result of an initial investment, expenditure or other economic event. The benefit-cost model used by NJEDA was designed using county-level multipliers produced by the U.S. Bureau of Economic Analysis's RIMS II input-output modeling system. The use of county-level multipliers was chosen in order to obtain relatively conservative benefit estimates, given that multipliers for counties tend to be smaller than they are for states. More conservative estimates of indirect economic effects would result in a more rigorous benefit-cost test for Grow NJ applicants. It is true that use of county-level multipliers will generally result in somewhat more conservative estimates of the income taxes calculated on the basis of indirect earnings, and of the sales taxes on business expenditures generated indirectly by the initial business activity. However, due to an incomplete understanding within NJEDA's benefit-cost model of how worker commuting between counties affects the use of multipliers, we suggest that the use of county multipliers in the benefit-cost model contributes to sometimes significant mis-estimation of benefits, including potential over- estimation.

Recommendation: Given this issue as well as other potential issues surrounding the use of county multipliers, we recommend that *state-level* RIMS II multipliers be used instead. We also recommend that some of the benefit calculations be revised to incorporate alternative data in lieu of multipliers. These recommendations for technical revisions to the benefit-cost modeling process are described in Appendix V.

ERG PROGRAM DESCRIPTION

The Economic Redevelopment and Growth (ERG) Program is an incentive that provides gap financing to developers whose development projects are not projected to generate sufficient revenue to service the amount of debt required for completion. Residential and commercial projects are eligible for base awards of tax credits or reimbursement grants of up to 20% of project costs. Mixed-use parking projects are eligible for base award tax credits up to 100% of the parking component of total project costs and up to 40% of the non-parking component. . As with the Grow NJ program, by meeting additional location or project type criteria, residential and commercial projects are eligible for reimbursement or tax credits covering up to an additional 20% of project costs (see sidebar). Credits are allocated over a ten-year period.

New residential projects are required to meet affordable housing requirements, with at least 20% of units reserved for low- or moderate-income households. Similar to Grow NJ projects, commercial ERG projects are required to pass a benefit-cost test based on the revenues the state will realize from the project. The program limits the aggregate total of all residential and mixed- use parking tax credits to \$718 million.

To date, NJEDA has approved 38 residential projects totaling \$649.1 million in tax credits, 10 commercial projects totaling \$340.2 million in grants, and two mixed-use parking projects totaling \$34 million in grants.

ANALYSIS OF COMMERCIAL ERG AWARDS

Ten commercial ERG awards were approved between 2014 and 2017. These awards are widely distributed geographically (see Figure 14), with projects in nine municipalities in seven counties.

The distribution of award funds (Figure 15) is more concentrated, as 66% (\$223.3 million) of the total \$340.2 million in total commercial grants are for a single project – the \$1.2 billion retail, office and hotel component of a larger mixed-use project in Sayreville, Middlesex County.

ERG ADDITIONAL GRANT FUNDING

***Additional Grant Funding:**

EDA will analyze the developer's financing structure to verify a "gap" or financial need. This review may result in assistance of up to 20% of the total eligible costs, and up to 40% if the following criteria are evidenced:

1. Up to an additional 20% (i.e., a total maximum of up to 40%) if located in a one of the five Garden State Growth Zones Atlantic City, Camden, Trenton, Paterson, and Passaic)("GSGZ")
2. Up to an additional 10% (i.e., a total maximum of up to 30%) if the project is one or more of project types or located in one or more of the locations listed below. (See the Mapping Tool link at the bottom of this page for assistance in determining whether the project address is located in an eligible area.)
 - Located in a distressed municipality which lacks adequate access to one of the following:
 - Nutritious food, and will include either a supermarket or grocery store with a minimum of 15,000 square feet of selling space devoted to the sale of consumable products or a prepared food establishment selling only nutritious ready to serve meals
 - Health care and health services and will include a health care and health services center with a minimum of 10,000 square feet of space devoted to the provision of health care and health services
 - Transit project
 - Qualified residential project with at least 10% of residential units constructed/reserved for moderate income housing.
 - Located in a highlands development credit receiving area or redevelopment area
 - Disaster recovery project
 - Aviation project
 - Tourism destination project
 - Substantial rehabilitation or renovation of more than 51% of an existing structure(s)

Figure 12
Geographic Distribution of Commercial ERG Projects

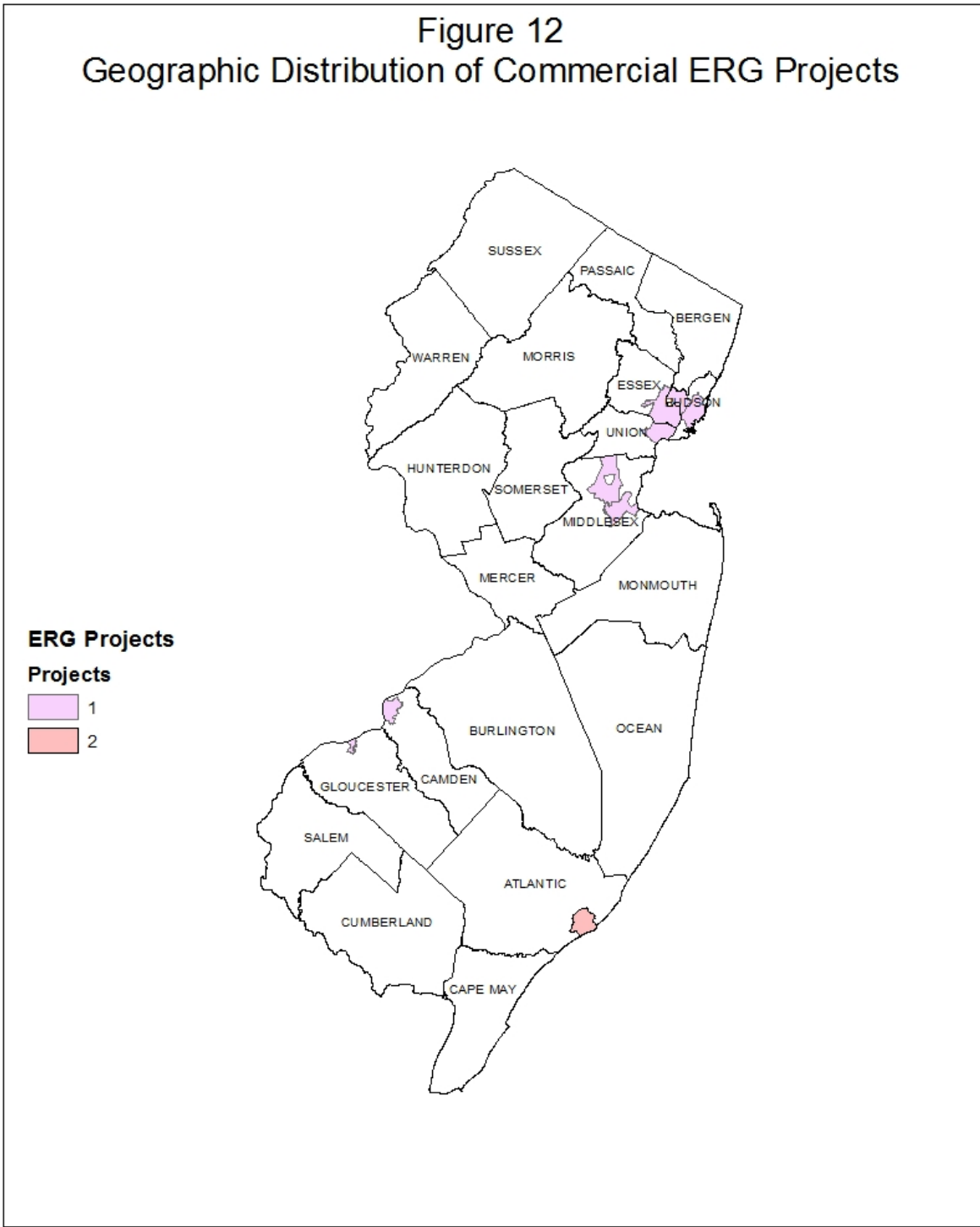
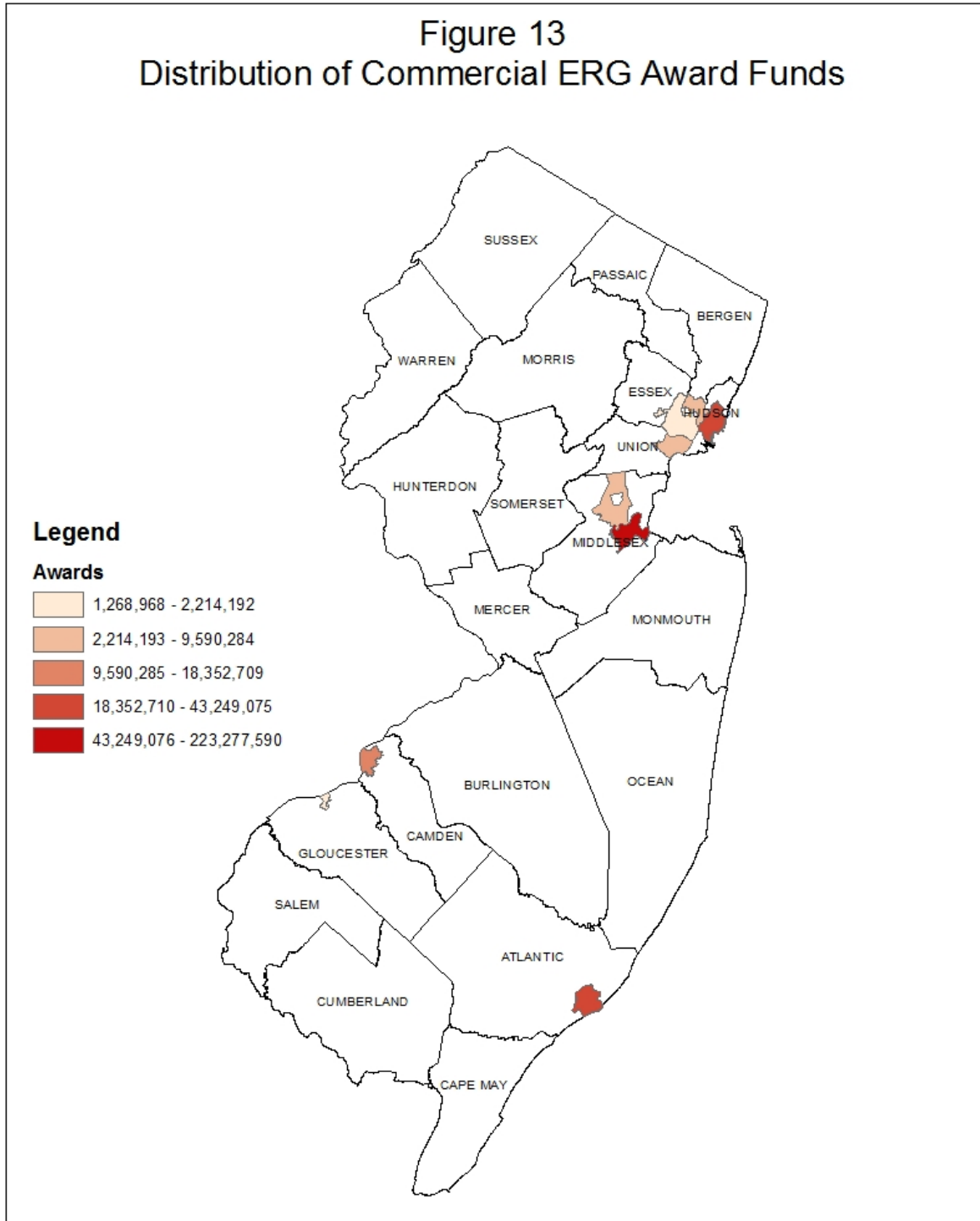


Figure 13
Distribution of Commercial ERG Award Funds



Awards for the 10 projects range from \$1.3 million to \$223.3 million, accounting for between 9.5% and 36.4% of eligible project costs. Overall, the \$340.2 million in approved awards account for 20.5% of the total eligible capital investment of \$1.66 billion for all ten projects.

County	Municipality	# of Projects	Total Awards	Eligible Capital Investment	Award Share of Eligible Investment
Atlantic	Atlantic City	2	43,249,075	171,500,000	25.2%
Camden	Camden	1	18,352,709	50,421,000	36.4%
Essex	Newark	1	2,214,192	23,344,425	9.5%
Gloucester	Paulsboro Borough	1	1,268,968	4,595,305	27.6%
Hudson	Jersey City	1	32,900,000	197,422,908	16.7%
	Kearny	1	9,590,284	47,951,422	20.0%
Middlesex	Edison	1	4,579,282	28,840,939	15.9%
	Sayreville	1	223,277,590	1,116,387,952	20.0%
Union	Elizabeth	1	4,794,204	15,980,681	30.0%
Total		10	340,226,304	1,656,444,632	20.5%

Bonus Share of Award Costs

Four of the ten awards qualify for bonus funds above the 20% maximum base gap financing award. Two of these projects are in Garden State Growth Zones, with one in Camden receiving the full 20% additional financing available for GSGZs. One project received an additional 10% as a grocery store in a food desert, and one based on substantial rehabilitation. In all, the “bonus” financing for these projects totaled \$22.8 million, or 6.7% of total awards. (Total awards as a share of eligible investment are 20.5%, as some projects required less than the full 20% available gap financing.)

Issue #1: Benefit-Cost Framework

Similar to Grow NJ awards, commercial ERG awards are subject to a net benefit test. Projects are required to demonstrate a fiscal net benefit – i.e., that the state revenues derived from the operations of the business receiving the assistance grant will exceed the amount of state assistance provided. Our recommendations for revisions to the calculations used in the benefit-cost model are outlined in the Grow NJ section of this report and apply to the analysis of ERG commercial projects as well.

At the same time, because ERG grants are awarded based on a financing gap, rather than on a per-job basis, the recommendation of a higher benefit-cost threshold does not necessarily apply in the same way as it does for Grow NJ awards. That is, in the case of ERG, it must be explicitly demonstrated that the project cannot proceed due to the financing gap

(rather than that the project is at risk of locating outside the state). As such, the assumed risk that the project would have proceeded even in the absence of the award is not as great. However, commercial projects such as office and retail facilities receiving ERG grants are not necessarily developments that would not have occurred in the state at all. Instead, the ERG grants are intended to facilitate development in locations where projects might otherwise not be realized. In some cases, such projects might still be built in nearby communities not necessarily eligible for ERG assistance if there is sufficient market demand. As such, the net benefits realized to the state for some projects might be realized even in the absence of any public financing. This does not obviate the local need for certain types of projects – e.g., a grocery store in a food desert – or suggest that it is problematic to facilitate projects in areas where they would otherwise not be feasible. However, it does indicate that the metric of net positive benefit *to the state* is not necessarily probative for all projects.

Recommendation: NJEDA should consider additional metrics for evaluating the viability and benefit of commercial ERG projects. While economic impacts (e.g., additional tax revenues) may accrue to the state as a result of such projects, it is not always clear that such projects would not have been pursued elsewhere in the state in the absence of the ERG grant, and the state benefits therefore may not necessarily constitute a net return to the state. This recommendation applies only to the inclusion of state taxes in the calculation of state benefits. Local benefits of such development may still be significant, and reflect the program’s central objective of directing investment to areas where it would not otherwise have occurred.

Issue #2: Internal Rates of Return

Project financing gaps are analyzed in part using a hurdle rate model applied to the internal rate of return on the equity portion of a project’s financing. While we have not conducted a full accounting analysis of the hurdle rate determinations (i.e., the maximum equity IRR determined by JLL based on project type and locality), we do note that the improvements in IRR resulting from ERG gap financing have a wide range. Differentials run from as low as 1.4 percentage points for a \$200 million, 491,000-square-foot retail and office tower in Jersey City to 13 percentage points for a \$17 million, 55,000-square-foot grocery store and mixed retail development in Elizabeth (a “food desert” project). All project summaries state that the IRR in the absence of the ERG award would not be sufficient for project completion. However, while the cash flow from the ERG grant would by definition improve the IRR for any given project, it is not clear that very small increases in projected IRR would necessarily significantly change a project’s viability.

Recommendation: NJEDA should clarify how the IRR calculation informs the evaluation for each project in terms of the magnitude of the return to the developer and whether the level of increase in IRR conditional on ERG assistance should be considered in project evaluations. The amount of ERG funding available is not dependent on the IRR calculation, but it is not clear from the current analytical framework that the higher IRR that results when ERG is

factored in to a project's financing is either a necessary prerequisite of project completion or necessarily sufficient to satisfy a developer's target rate of return.

Issue #3: Multi-Phase Projects

An issue that has arisen in analyses of projects elsewhere is one that pertains to multi-phase projects. One example was a 1,000-room flagship hotel targeted for city incentives in San Antonio, Texas. The rationale for the incentives was that the hotel was to sit atop a large, new conference center and the market would by nature only otherwise enable hoteliers to commit to two hotels half that size and it would take eight years for the two to come on line. The subsidy would open up the possibility for much larger conferences and, hence, much more tourism over the course of those eight years. Analysis suggested, that the subsidy would pay for itself through the time value of the earlier influx of taxes via tourism. Interestingly, the oral history of the conference center suggest that it too was built with some city funds. And this funding was also justified via tourism, by assuming the existence of a hotel that was sufficiently large to lure to San Antonio large organizations like the American Medical Association, which prefer a single venue in which most of their members can be housed either on top of or immediately adjacent to the event/meeting space. In other words, a sort of circular logic was applied to justify the two projects: Each justified the economic viability of the other. If the hotel had been built first, the city's hotels would have suffered heavy average vacancy rates. Because the conference center was built first, it was unable to capture the large volumes of visitations needed to pay for itself. Each without the other posed a possible economic development failure.

Given the difficulty in assuring funding for all stages of a multi-phase project, how can or should they viably be assessed? Presently NJ Administrative Code §19:31-4.6(a)3 states "For large, multi-phased projects that are built sequentially over time, the EDA shall only evaluate and validate the project financing gap on phases of the project with funding commitments." While this provision limits the gap analysis (and potential award) to project phases with funding commitments, as illustrated in the example above, it is important to consider the inter-dependency of project phases, and to view the economic viability of those phases being considered for ERG assistance in the context of future phases.

N.J.A.C. §19:31-4.3(a)2.ii notes "In the event the project is to be undertaken in phases, a developer may apply for phases for which construction has not yet commenced, subject to N.J.A.C. 19:31-4.6(a)2," which states that "a developer's future expenditures will have to be at least 100 percent of the project costs previously expended as of its application date in order for the Authority to include the costs expended prior to the application date to be included in the project costs." Given the example above, this wording needs clarity and some strengthening.

ANALYSIS OF RESIDENTIAL ERG AWARDS

Under the enabling legislation, ERG apportioned available funding for residential projects as follows:

- \$250 million for projects in Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean and Salem Counties
 - \$175 million of which was dedicated to residential projects in Garden State Growth Zones or mixed-use parking projects in GSGZs or Urban Transit Hubs in those counties.
 - \$75 million of which was dedicated to cities in those counties with a 2007 MRI Index of 400 or higher.
- \$250 million for projects:
 - in commuter rail Urban Transit Hubs and GSGZs not in the eight counties listed above;
 - mixed-use parking projects in Urban Transit Hubs and GSGZs not located in those counties. No more than \$25 million of that total is to be allocated to mixed use parking projects in an Urban Transit Hub and \$25 million is to be allocated to mixed-use parking projects in GSGZs with a population of 125,000 or more and not in the eight counties listed above.
 - Disaster recovery projects not in the eight counties.
 - Residential projects in SDA (Abbott District) municipalities in Hudson County that received Transitional State Aid in fiscal year 2013.
- \$87 million for residential projects in distressed municipalities, deep poverty pockets, Highlands development credit or redevelopment areas and mixed use parking projects used by educational institutions and non-profit hospitals.
- \$16 million for residential projects in other ERG incentive areas.

The 38 ERG awards for residential projects approved between January 2014 and April 2018 are distributed across 14 municipalities in ten counties and range in size from \$2.7 million to \$40 million (see Table 18 and Figures 14 and 15). In aggregate the awards account for approximately 29% of eligible capital investment for the projects, with coverage ranging from 18.6% to 100% financing for the \$30 million parking lot component of a development in Atlantic City.¹⁷ Eligible capital investment for the 38 residential projects totals \$2.25 billion, which are estimated to create 7,814 new residential units, of which 3,743, or 48% are slated to be affordable units.

¹⁷ We note that there are at least two awards classified under the Residential program that do not create residential units. One is a parking and retail facility related to a dormitory project in Atlantic City. The other is for infrastructure and facilities at Rutgers University.

Table 18
Summary of Residential ERG Awards

County	Municipality	# of Projects	Total Awards	Eligible Capital Investment	Residential Units	Affordable Units	Award Share of Eligible Investment
Atlantic	Atlantic City	5	113,223,987	260,936,890	798	477	43.4%
Camden	Camden	5	47,776,013	127,490,907	500	240	37.5%
Essex	East Orange	2	11,331,904	37,773,012	190	190	30.0%
	Newark	9	159,378,226	608,172,386	2,363	1,376	25.5%
Gloucester	Glassboro	3	73,021,282	243,404,277	1,371	49	30.0%
Hudson	Jersey City	3	90,065,184	394,261,587	949	294	22.8%
Mercer	Ewing	1	15,767,702	78,838,509	130	26	20.0%
	Trenton	4	36,131,255	99,598,535	845	754	36.3%
Middlesex	New Brunswick	1	40,000,000	142,590,404	207	43	28.1%
	Piscataway	1	25,000,000	134,550,000	-	-	18.6%
Monmouth	Asbury Park	1	9,558,300	31,861,000	116	23	30.0%
	Keansburg	1	17,022,967	56,743,222	186	112	30.0%
Ocean	Lakewood	1	4,037,434	13,458,114	63	63	30.0%
Union	Elizabeth	1	6,792,937	22,643,123	96	96	30.0%
Total		38	649,107,191	2,252,321,966	7,814	3,743	28.9%

The highest concentration of residential awards is in Essex County, particularly in the city of Newark, where awards of \$159.4 million have been approved for nine projects totaling \$608.2 million in eligible capital investment. Atlantic City has five residential projects totaling \$113.2 million in ERG credits, and Camden has five projects accounting for \$47.8 million in credits. Three projects in Jersey City have qualified for credits totaling \$90 million.

Figure 14
Geographic Distribution of ERG Residential Projects

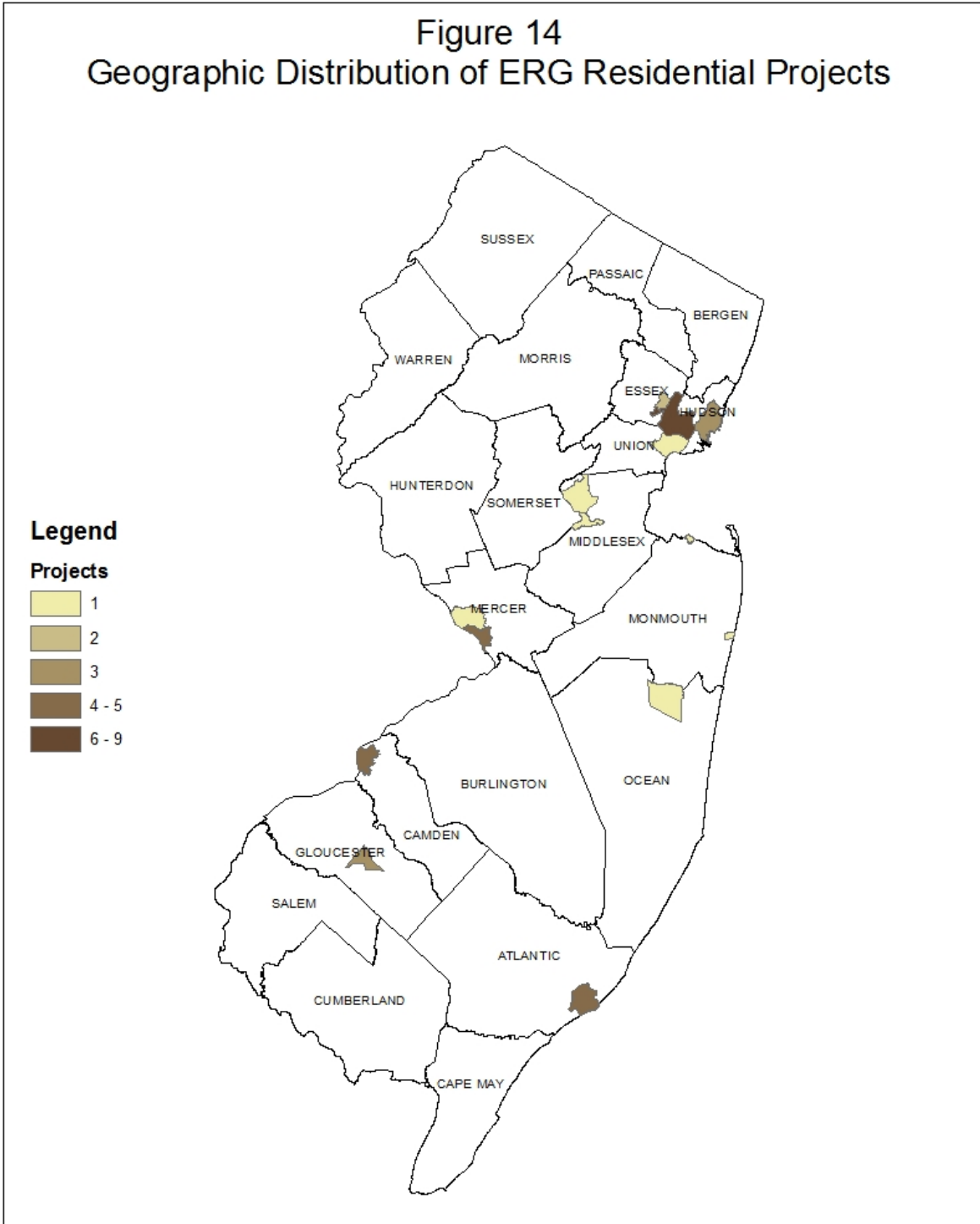
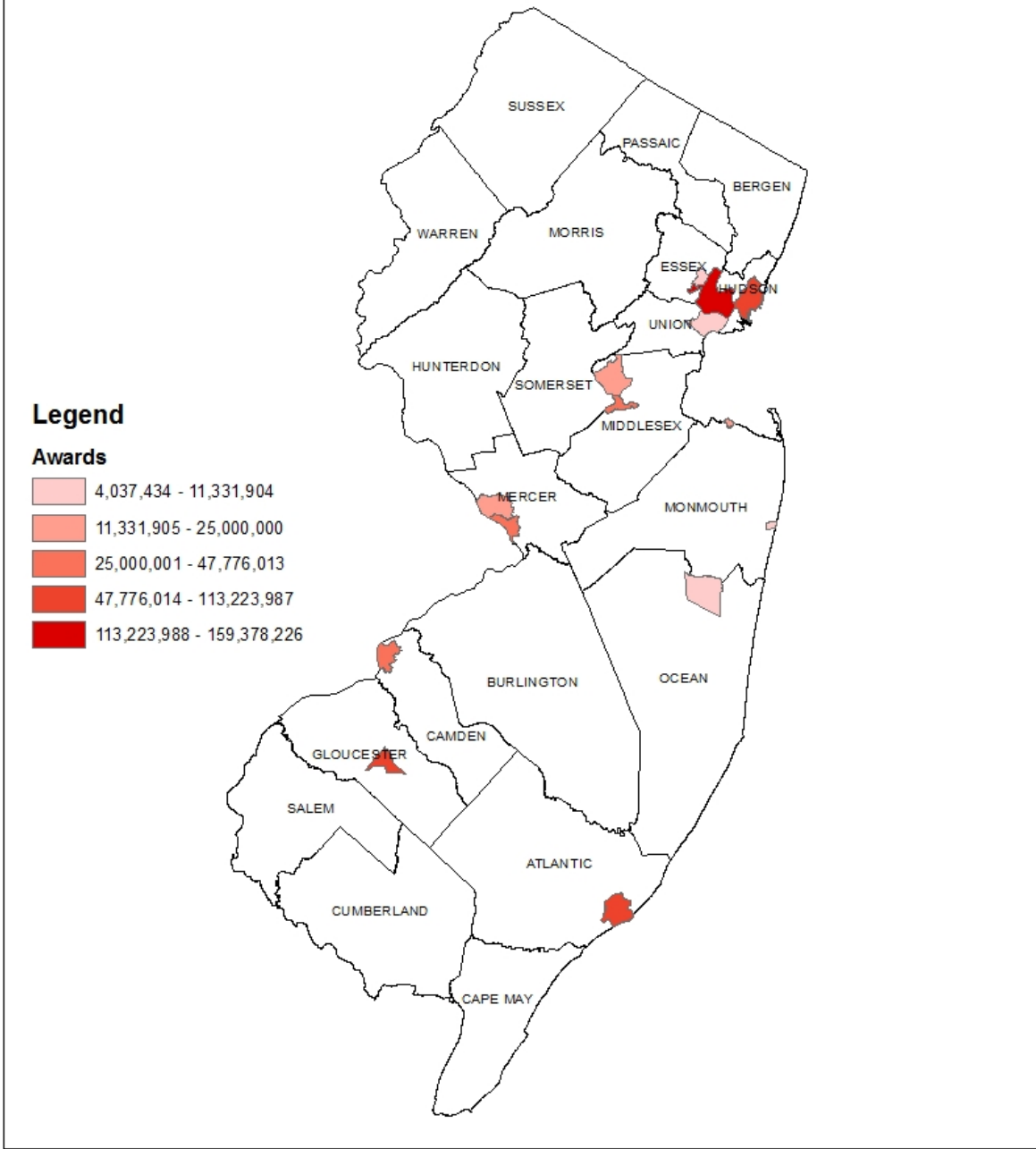


Figure 15
Distribution of ERG Residential Award Funds



Credits Issued to Date

Table 19 lists ERG residential projects for which NJEDA reported issuing credits in 2016. Five completed projects were issued \$8 million in credits. These projects account for 739 residential units, of which 288 are affordable. The \$8 million in credits for the 5 projects represents about 21.5% of the credits that would be issued annually were all the projects approved by 2016 to reach completion. Many of these may have already been completed and credits issued, though data on certified credits for 2017 is not yet available.

Project	Municipality	County	Certified Credit Amount
Broadway Associates 2010 LLC	Camden	Camden	\$1,349,166
Washington Street University Housing Urban Renewal Associates, LLC	Newark	Essex	\$2,314,247
PRC Campus Centers, LLC	Ewing	Mercer	\$1,576,770
Glassboro Mixed-Use Urban Renewal, LLC	Glassboro	Gloucester	\$2,204,581
Broadway Housing Partners LLC (1)	Camden	Camden	\$611,989
34 Projects			\$8,047,053

Bonus Share of Total Awards

Under program rules, residential projects are eligible for a base award equivalent to 20% of eligible capital expenditures, plus bonuses allowing for up to an additional 20% (total of 40%) depending on location and the percentage of units reserved for low and moderate-income residents. In contrast to the commercial ERG program, the “bonus” categories for residential projects account for a significant portion of the awarded credits – approximately 33%, or \$231.8 million. This is primarily a result of the significant fund allocations to GSGZs, eligible for additional funding of up to 20% of award costs, as well as to the 10% additional funding available for reserving 10% of residential units for low- to moderate-income residents. Approximately half of the additional funding for residential projects is for projects in GSGZs, with the rest attributable to 10% additional financing for affordable housing.

Issue #1: Limited Geographic Distribution

The eight-county region comprising most of southern New Jersey is allocated \$250 million. Of that total, however, \$175 million is reserved for Garden State Growth Zones and Urban Transit Hubs in those counties. Under this definition, only five cities qualify for access to this \$175 million total, with only projects in Camden and Atlantic City receiving awards.¹⁸ Of the remaining \$75 million, three projects in Glassboro (Gloucester County) account for \$73 million, with an additional \$4 million allocated to a project in Lakewood (Ocean County).¹⁹ Excluding the five Urban Transit Hub and GSGZ municipalities, there are 81

¹⁸ The five cities are Camden, Atlantic City, Salem City, Bridgeton (Cumberland County) and Mount Holly (Burlington County).

¹⁹ The ERG awards for these four projects total \$77.06 million, exceeding the original program

municipalities in the eight counties with 2007 MRI ranking of 400 or higher. These municipalities had an aggregate population of over 644,000 in 2010, including seven with populations over 20,000 and one with population over 60,000 (Vineland, 2007 MRI Rank #474). The five GSGZ/UTH cities had total population of 157,000. The allocations for northern New Jersey are similarly explicitly channeled to a limited number of cities (e.g., Newark, Jersey City).

Recommendation: While the geographic distribution objectives for residential ERG awards are largely explicitly embodied in the program funding allocations, and there is an allocation for projects not located in pre-specified municipalities, we observe that the resulting geographic distribution of these funds is limited to a small number of cities. Given the large number of municipalities with high MRI 2007 rankings, including some of significant size, it may make sense to consider strategies that would broaden the geographic reach of the program to employ available funds in other areas that may benefit from residential development.²⁰ The example of financing allocation approaches used for affordable housing programs can be informative in this regard.

Financing for affordable housing generally includes layered financing from a number of sources, as is the case with most ERG projects. These include federal sources such as Federal Housing Administration insurance, Low Income Housing Tax Credits, HOME Investment Partnerships Program, historic tax credits (can be used for housing), and state and local sources such as subsidies from the New Jersey Housing Mortgage and Finance Agency and the Department of Community Affairs' Balanced Housing Funds. Historically there has been more demand for affordable housing financing than has been available, which has led to the creation of a number of frameworks for determining which projects receive priority for funding. A leading example of this is the Qualified Allocation Plan (QAP) used for the Low Income Housing Tax Credit program.²¹ This plan lays out a detailed matrix of criteria for prioritizing projects eligible for the limited supply of LIHTC assistance. Projects are scored and ranked according to numerous parameters that include location, duration of availability of LIHTC-funded units, provision of social services, provision of amenities, level of municipal support, energy efficiency, proximity to certain land uses (grocery stores, pharmacies, etc.), and a wide range of other factors.

While ERG is not exclusively an affordable housing program, we recommend that NJEDA consider adopting a set of guiding criteria for determining residential funding priorities. The QAP can serve as a useful example of a state-specific model for selecting and prioritizing the multiple parameters that NJEDA may determine are germane to its residential project financing objectives.

allocation of \$75 million. It is not clear under which qualifying area Lakewood falls, as its 2007 MRI rank was 298.

²⁰ As noted earlier, we recommend that the updated 2017 MRI methodology and rankings be employed for future programs, and that the rankings be updated regularly to reflect the relative changes in economies of the state's municipalities.

²¹ <http://www.state.nj.us/dca/hmfa/developers/credits/allocations/qap.shtml>

Issue #2: Inclusion of Non-Residential Awards

As seen in the allocation of ERG funds described above, the residential portion of the program has been used as a vehicle for financing of certain non-residential projects. Notably, this applies to the \$25 million allocation for university infrastructure. This allocation is specifically for a tax credit to Rutgers University as part of the \$140 million construction of new and renovation of existing athletic training facilities. The findings accompanying the Economic Stimulus Act of 2009 (N.J. Stat. § 52:27D-489b), which created the original ERG program, specifically foresee the use of tax credits to “assist institutions of higher education to develop needed classrooms, laboratories, dormitory rooms and other educational facilities,” and amendments made in 2015 add Rutgers as a qualified developer and specify university infrastructure as a qualified category for assistance. While this project and other non-residential projects are thus eligible for residential ERG financing under program rules, their inclusion under the rubric of the residential program is somewhat confusing. Such projects may not necessarily lend themselves to evaluation under the same parameters as residential projects, and their purpose and potential impact are clearly different from that of more typical residential projects.

Recommendation: Future programs should seek to clearly delineate and evaluate projects by type. While the use of an existing funding mechanism such as the residential ERG for non-residential projects is not necessarily problematic, potential differences in evaluation parameters, project goals, economic outcomes and program purposes suggest that a separate classification and/or approach is warranted.

Issue #3: Construction Employment

The original scope of the analysis of ERG projects proposed for this study consisted primarily of assessing the economic impacts of the capital spending associated with selected projects, for comparison to any impacts estimated as part of the benefit-cost model developed by Jones Lange LaSalle. The impact estimates for both ongoing and one-time (capital) expenditures associated with the JLL model have been reviewed in detail in the Grow NJ analysis and accompanying case studies. Here we provide an estimate of the construction jobs (job-years) associated with the total construction spending of all ERG residential projects in aggregate.²²³⁴ This allows for a comparison of estimated direct construction employment generated by these expenditures with publicly available estimates from NJEDA. For ease of analysis, we exclude the two projects receiving ERG assistance that do not include the construction of residential units; additionally, we consider all capital expenditures for other projects to be for residential development, even in the case of mixed use projects. The aggregate expenditures for these 36 projects total \$2.32 billion, with \$1.5 billion allocated to construction and site improvements. Using the R/ECON input-output model, we estimate that these

²² Construction employment is generally measured in job-years. A job-year is equivalent to one job lasting one year.

expenditures would generate approximately 8,834 job-years. This estimate is approximately 33% higher than NJEDA's estimate of 6,608 jobs for the same projects.

We believe that this discrepancy is attributable to the difference in assumed compensation rates for construction jobs in New Jersey.²³ While the R/ECON model uses an underlying estimate of average compensation (wages + benefits) for all construction jobs (about \$92,000), the NJEDA estimate appears to be based on county prevailing wage rates ranging high as \$125,000. The approach used by NJEDA – allocating 50% of construction costs to labor, and then dividing by prevailing wage rates – is not unreasonable, but it should be noted that it assumes that the total construction and site improvement costs for the project were estimated assuming that prevailing wage rates will be paid by all contractors.²⁴

Issue #4: Affordable Housing – Redundancy/Ambiguity in Program Rules

Among the objectives specified in the findings of the Economic Stimulus Act of 2009 (N.J. Stat. § 52:27D-489b) is the use of tax credits and other public financing mechanisms to “assist the private development of affordable housing.” In the case of ERG, this objective is reflected in the additional 10% financing of eligible project costs for “a qualified residential project in which at least 10 percent of the residential units are constructed as and reserved for moderate income housing.” At the same time, the program rules cite and stipulate compliance with prior law requiring that residential developments receiving public funds reserve at least 20% of units for low- to moderate-income residents. This would seem to suggest that any project would by definition qualify for the additional funding assistance. It is not clear from the available data whether some projects received this additional funding based on meeting the legislated 20% threshold.

Recommendation: NJEDA should clarify the rules and data reporting regarding the affordable housing requirement. If the development of affordable housing is considered a key objective of the program, additional financing for projects that surpass the minimum 20% requirement would be reasonable stipulation, but it is not clear whether the funding is being allocated in this way.

²³ EDA uses county level construction compensation estimates, while we have applied a state-wide average to all projects. Any divergence in estimates arising from this difference would be minor.

²⁴ The allocation of 50% of construction costs to labor is consistent with data for New Jersey reported in the 2012 Economic Census, in which the sum of annual payroll, fringe benefits, and work subcontracted to others for new multi-family housing construction comprise 48% of the value of construction work. We recommend that this figure be re-confirmed as the latest data become available. (The Economic Census is conducted every five years, with data released periodically in the following years. The most recent Economic Census was conducted in 2017.)

APPENDIX I: DEFINITIONS OF BASE AWARD AND BONUS CATEGORIES

The following definitions and explanations are excerpted from the Grow New Jersey Program Rules outlined in the New Jersey Administrative Code (N.J.A.C. 19:31-18.1 through 18.19). Detailed definitions are provided for base award categories (Qualified Incentive Areas), followed by detailed information on bonus categories.

Additional Information on Base Award Categories:

- 1) "Garden State Growth Zone" or "growth zone" means the four New Jersey cities with the lowest median family income based on the 2009 American Community Survey from the U.S. Census, (Table 708. Household, Family, and Per Capita Income and Individuals, and Families Below Poverty Level by City: 2009); or a municipality which contains a Tourism District as established pursuant to section 5 of P.L. 2011, c. 18 (N.J.S.A. 5:12-219) and regulated by the Casino Reinvestment Development Authority. (N.J.A.C. 19:31-18.2, p. 5.)²⁵³⁸
- 2) "Mega project" means:
 1. A qualified business facility located in a port district housing a business in the logistics, manufacturing, energy, defense, or maritime industries, either: i. Having a capital investment in excess of \$ 20,000,000, and at which more than 250 full-time employees of such business are created or retained; or ii. At which more than 1,000 full-time employees of such business are created or retained;
 2. A qualified business facility located in an aviation district housing a business in the aviation industry, in a Garden State Growth Zone, or in a priority area housing the United States headquarters and related facilities of an automobile manufacturer, either:
 - i. Having a capital investment in excess of \$ 20,000,000, and at which more than 250 full-time employees of such business are created or retained; or
 - ii. At which more than 1,000 full-time employees of such business are created or retained;
 3. A qualified business facility located in an urban transit hub housing a business of any kind, having a capital investment in excess of \$ 50,000,000, and at which more than 250 full-time employees of a business are created or retained; Page 6 N.J.A.C. 19:31-18.2
 4. A project located in an area designated in need of redevelopment, pursuant to P.L. 1992, c. 79 (N.J.S.A. 40A:12A-1 et seq.), prior to the enactment of P.L. 2014, c. 63, within Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean, or Salem

²⁵ The Garden State Growth Zones are Atlantic City, Camden, Passaic, Paterson and Trenton.

counties having capital investment in excess of \$ 20,000,000, and at which more than 150 full-time employees of a business are created or retained; or

5. For applications submitted after July 1, 2016, a qualified business facility primarily used by a business principally engaged in research, development, or manufacture of a drug or device, as defined in N.J.S.A. 24:1-1, or primarily used by a business licensed to conduct a clinical laboratory and business facility pursuant to the "New Jersey Clinical Laboratory Improvement Act," P.L. 1975, c. 166 (N.J.S.A. 45:9-42.26 et seq.), either:

i. Having a capital investment in excess of \$ 20,000,000, and at which more than 250 full-time employees of such business are created or retained; or

ii. At which more than 1,000 full-time employees of such business are created or retained. (N.J.A.C. 19:31-18.2, p. 5-6.)

3) "Urban transit hub municipality" means a municipality that qualifies for State aid pursuant to P.L. 1978, c. 14 (N.J.S.A. 52:27D-17 178 et seq.), or that has continued to be a qualified municipality thereunder pursuant to P.L. 2007, c. 111; and in which 30 percent or more of the value of real property was exempt from local property taxation during tax year 2006. The percentage of exempt property shall be calculated by dividing the total exempt value by the sum of the net valuation that is taxable and that which is tax exempt. (N.J.A.C. 19:31-18.2, p. 9).

The Urban Transit Hub municipalities are:

Municipality	County
Bridgeton City	Cumberland
Camden City	Camden
East Orange City	Essex
Elizabeth City	Union
Hoboken City	Hudson
Jersey City	Hudson
Mount Holly Twp	Burlington
New Brunswick City	Middlesex
Newark City	Essex
Paterson City	Passaic
Salem City	Salem
Trenton City	Mercer
West New York Town	Hudson

4) "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. (N.J.A.C. 19:31-18.2, p. 4).

Distressed Municipalities are:

**List of Municipalities Meeting NJ Economic Opportunity Act
Definition of Distressed Municipality**

Updated 2/16/2017

Municipality	County	Municipality	County
Asbury Park City	Monmouth	Mount Holly Township	Burlington
Atlantic City	Atlantic	Neptune City Borough	Monmouth
Bayonne City	Hudson	Neptune Township	Monmouth
Belleville Township	Essex	New Brunswick City	Middlesex
Bergenfield Borough	Bergen	Newark City	Essex
Bloomfield Township	Essex	North Bergen Township	Hudson
Brick Township	Ocean	Nutley Township	Essex
Bridgeton City	Cumberland	Old Bridge Township	Middlesex
Camden City	Camden	Orange City	Essex
Carteret Borough	Middlesex	Passaic City	Passaic
Clifton City	Passaic	Paterson City	Passaic
East Orange City	Essex	Pemberton Township	Burlington
Elizabeth City	Union	Penns Grove Borough	Salem
Garfield City	Bergen	Pennsauken Township	Camden
Glassboro Borough	Gloucester	Perth Amboy City	Middlesex
Gloucester City	Camden	Phillipsburg Town	Warren
Gloucester Township	Camden	Plainfield City	Union
Hackensack City	Bergen	Pleasantville City	Atlantic
Harrison Town	Hudson	Rahway City	Union
Hillside Township	Union	Roselle Borough	Union
Hoboken City	Hudson	Salem City	Salem
Irvington Township	Essex	Seaside Heights Borough	Ocean
Jersey City	Hudson	Secaucus Town	Hudson
Keansburg Borough	Monmouth	Trenton City	Mercer
Kearny Town	Hudson	Union City	Hudson
Lakewood Township	Ocean	Vineland City	Cumberland
Lindenwold Borough	Camden	Weehawken Township	Hudson
Lodi Borough	Bergen	West New York Town	Hudson
Long Branch City	Monmouth	Willingboro Township	Burlington
Manville Township	Somerset	Winslow Township	Camden
Millville City	Cumberland	Woodbridge Township	Middlesex
Monroe Township	Gloucester	Woodbury City	Gloucester
Montclair Township	Essex		

- 5) "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 Page 7 N.J.A.C. 19:31-18.2 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). (N.J.A.C. 19:31-18.2, p. 7).
- 6) "Other eligible area" means the portions of the qualified incentive area that are not located within a distressed municipality, or the priority area.

Additional Information on Selected Bonus Categories:

- 1) "Deep poverty pocket" means a population census tract having a poverty level of 20 percent or more, and which is located within the qualified incentive area. (N.J.A.C. 19:31-18.2, p. 3.)
- 2) "Qualified incubator facility" means a commercial building located within a qualified incentive area: that contains 50,000 or more square feet of office, laboratory, or industrial space; that is located near, and presents opportunities for collaboration with a research institution, teaching hospital, college, or university, which is evidenced by a written agreement that demonstrates this collaboration; and within which, at least 50 percent of the gross leasable area is restricted for use by one or more technology startup companies during the commitment period. The restricted space may be comprised of non-contiguous areas, and its location within the qualified incubator facility may change from time to time. (N.J.A.C. 19:31-18.2, p. 8.)
- 3) "Transit oriented development" means a qualified business facility located within a 1/2-mile radius, or one-mile radius for projects located in a Garden State Growth Zone, surrounding the mid-point of a New Jersey Transit Corporation, Port Authority Transit Corporation, or Port Authority Trans-Hudson Corporation rail, bus, or ferry station platform area, including all light rail stations. For the purposes of determining the transit

project bonus pursuant to N.J.A.C. 19:31-8.8(c)4, a bus station platform is a terminal as listed on the EDA's website at www.njeda.com. (N.J.A.C. 19:31-18.2, p. 9.)

4) Bonus for excess capital investment (excluding mega projects):

A qualified business facility, other than a mega project or a project in a Garden State Growth Zone, at which the capital investment in industrial premises for industrial use by the business is in excess of the minimum capital investment required for eligibility pursuant to subsection b. of section 3 of P.L. 2011, c. 149 (N.J.S.A. 34:1B-244), an increase of \$ 1,000 per year for each additional amount of investment, as measured in square feet of measured gross leasable area, that exceeds the minimum amount required for eligibility by 20 percent, with a maximum increase of \$ 3,000 per year. (N.J.A.C. 19:31-18.8, p. 30.)

5) Bonus for excess capital investment (mega projects):

For a mega project or a project located within a Garden State Growth Zone at which the capital investment in industrial premises for industrial use by the business is in excess of the minimum capital investment required for eligibility pursuant to subsection b. of section 3 of P.L. 2011, c. 149 (N.J.S.A. 34:1B-244), an increase of \$ 1,000 per year for each additional amount of investment, as measured in square feet of measured gross leasable area, that exceeds the minimum amount by 20 percent, with a maximum increase of \$ 5,000 per year. (N.J.A.C. 19:31-18.8, p. 30.)

6) Bonus for median salary in excess of county median:

For a business with new full-time jobs and retained full-time jobs at the project with a median average salary in excess of the existing median average salary for full-time workers residing in the county in which the project is located, or, in the case of a project in a Garden State Growth Zone, a business that employs full-time jobs at the project with a median average salary in excess of the median average salary for full-time workers residing in the Garden State Growth Zone, an increase of \$ 250.00 per year during the commitment period for each 35 percent by which the project's average salary levels exceeds the county or Garden State Growth Zone average salary, with a maximum increase of \$ 1,500 per year. (N.J.A.C. 19:31-18.8, p. 30.)

7) "Targeted industry" means any industry identified from time to time by the Authority including initially, a transportation, manufacturing, defense, energy, logistics, life sciences, technology, health, and finance business, but excluding a primarily warehouse, distribution, or fulfillment center business. (N.J.A.C. 19:31-18.2, p. 9.)

8) Bonus for locating in municipalities with MRI Index over 465:

"Municipal Revitalization Index" means the 2007 index by the Office for Planning Advocacy within the Department of State measuring or ranking municipal distress. (N.J.A.C. 19:31-18.2, p. 6.). These municipalities are (see http://www.njeda.com/web/pdf/GrowNJ_SouthJersey_MRIndex.pdf):

**List of Municipalities in Atlantic, Burlington, Camden, Cape May,
Cumberland, Gloucester, Ocean, and Salem counties with 2007 Municipality
Revitalization Index (MRI) greater than 465**

MUNICIPALITY	COUNTY	MRI RANK
CAMDEN CITY	CAMDEN	566
WILDWOOD CITY	CAPE MAY	562
SALEM CITY	SALEM	561
ATLANTIC CITY	ATLANTIC	559
ELMER BORO	SALEM	558
PAULSBORO BORO	GLOUCESTER	557
BRIDGETON CITY	CUMBERLAND	553
WESTVILLE BORO	GLOUCESTER	552
WOODLYNNE BORO	CAMDEN	549
PENNS GROVE BORO	SALEM	547
BEVERLY CITY	BURLINGTON	545
CLEMENTON BORO	CAMDEN	544
CARNEYS POINT TWP	SALEM	543
SEASIDE HEIGHTS BORO	OCEAN	542
EGG HARBOR CITY	ATLANTIC	541
AUDUBON PARK BORO	CAMDEN	540
WOODBURY CITY	GLOUCESTER	539
BURLINGTON CITY	BURLINGTON	538
GLOUCESTER CITY	CAMDEN	537
SWEDESBORO BORO	GLOUCESTER	535
WRIGHTSTOWN BORO	BURLINGTON	533
PLEASANTVILLE CITY	ATLANTIC	528
MILLVILLE CITY	CUMBERLAND	526
LINDENWOLD BORO	CAMDEN	525
MAGNOLIA BORO	CAMDEN	524
COMMERCIAL TWP	CUMBERLAND	522
HI-NELLA BORO	CAMDEN	521
WEST WILDWOOD BORO	CAPE MAY	518
BORDENTOWN CITY	BURLINGTON	516
LAUREL SPRINGS BORO	CAMDEN	515
DOWNE TWP	CUMBERLAND	514
WOODBINE BORO	CAPE MAY	513
LAWNSIDE BORO	CAMDEN	511
QUINTON TWP	SALEM	510
NEW HANOVER TWP	BURLINGTON	506
MOUNT HOLLY TWP	BURLINGTON	505
GREENWICH TWP	CUMBERLAND	504
COLLINGSWOOD BORO	CAMDEN	502
BASS RIVER TWP	BURLINGTON	501
NATIONAL PARK BORO	GLOUCESTER	499
OAKLYN BORO	CAMDEN	498

BROOKLAWN BORO	CAMDEN	497
BUENA BORO	ATLANTIC	495
MANNINGTON TWP	SALEM	491
MOUNT EPHRAIM BORO	CAMDEN	486
PITMAN BORO	GLOUCESTER	484
MERCHANTVILLE BORO	CAMDEN	483
PINE HILL BORO	CAMDEN	482
PENNSAUKEN TWP	CAMDEN	481
LAWRENCE TWP	CUMBERLAND	480
RUNNEMEDE BORO	CAMDEN	477
PEMBERTON BORO	BURLINGTON	476
VINELAND CITY	CUMBERLAND	474
CORBIN CITY	ATLANTIC	473
NEWFIELD BORO	GLOUCESTER	472
NORTH WILDWOOD CITY	CAPE MAY	471
CLAYTON BORO	GLOUCESTER	469
GLASSBORO BORO	GLOUCESTER	468
WILDWOOD CREST BORO	CAPE MAY	466

APPENDIX II: GROW NEW JERSEY AWARDS BY COUNTY/MUNICIPALITY

**Table A-1
Summary of Grow New Jersey Awards by
County/Municipality**

County	Municipality	Number of Projects	Award Amount	New Jobs	Retained Jobs	Total Eligible Capital Investment
Atlantic	Atlantic City	4	55,799,015	385	210	50,810,316
	Galloway Township	1	29,810,000	271	0	26,236,368
Atlantic Total		5	85,609,015	656	210	77,046,684
Bergen	Carlstadt	1	4,950,000	110	0	1,407,798
	East Rutherford	1	975,000	0	30	5,350,009
	Englewood Cliffs	1	38,000,000	0	1,600	57,074,134
	Mahwah	2	29,056,960	72	403	44,100,000
	Montvale	2	14,513,750	0	751	16,449,195
	Northvale Borough	1	24,650,000	181	318	18,000,000
	Paramus	2	9,243,750	82	329	12,485,000
	Ridgefield Park	1	495,720	102	0	2,580,750
	Rutherford	1	1,625,000	50	0	5,850,000
	Wallington	1	3,000,000	44	112	7,594,680
Woodcliff Lake	1	7,990,290	265	43	12,659,124	
Bergen Total		14	134,500,470	906	3,586	183,550,690
Burlington	Evesham	1	14,000,000	350	0	1,295,750
	Florence	2	50,282,030	300	641	63,179,354
	Moorestown	1	9,690,000	191	74	5,949,125
Burlington Total		4	73,972,030	841	715	70,424,229
Camden	Camden	25	1,508,823,520	1,787	3,553	1,462,576,900
	Pennsauken	10	75,887,080	706	712	49,750,793
	Somerdale	1	1,758,500	11	70	1,462,500
	Voorhees	1	850,000	10	20	1,075,000
	Winslow Twp.	2	8,137,500	78	61	12,707,500
Camden Total		39	1,595,456,600	2,592	4,416	1,527,572,693
Cumberland	Deerfield	1	28,125,000	60	380	25,464,500
	Millville	1	8,126,630	53	87	4,548,950
	Millville City	1	1,600,000	16	0	1,836,800
	Vineland	4	17,069,970	123	322	62,597,228
	Vineland City	2	17,270,000	197	70	13,424,000
Cumberland Total		9	72,191,600	449	859	107,871,478
Essex	Bloomfield	1	2,346,750	35	0	1,995,340
	Newark	10	183,854,060	1,333	1,714	227,038,782
	Nutley	1	32,217,500	263	0	20,783,088

Essex Total		12	218,418,310	1,631	1,714	249,817,210
Essex; Passaic	Newark; Clifton	1	18,648,000	150	200	23,221,782
Essex; Passaic Total		1	18,648,000	150	200	23,221,782
Gloucester	Glassboro	3	21,965,000	201	241	18,042,680
	Logan	1	23,430,000	125	176	55,195,542
	West Deptford	1	3,282,500	36	29	4,060,000
Gloucester Total		5	48,677,500	362	446	77,298,222
Hudson	Bayonne	3	22,425,000	280	0	20,288,670
	Hoboken	6	163,295,050	1,702	615	105,501,460
	Jersey City	41	953,189,620	9,197	4,164	381,466,550
	Kearny	1	3,195,000	35	72	17,893,638
	North Bergen	1	2,200,000	55	0	645,000
	Secaucus	11	118,158,500	1,102	2,054	141,210,102
Hudson Total		63	1,262,463,170	12,371	6,905	667,005,420
Mercer	Hamilton	1	3,000,000	50	0	1,046,087
	Lawrence	1	1,900,000	40	0	1,120,540
	Lawrenceville	1	12,894,240	200	228	7,312,500
	Trenton	3	69,930,760	314	294	28,549,682
	West Windsor	4	22,066,500	164	707	22,236,487
Mercer Total		10	109,791,500	768	1,229	60,265,296
Middlesex	Carteret	3	45,160,000	505	0	44,198,530
	Cranbury	1	2,210,000	34	0	14,500,249
	Edison	1	2,108,710	25	107	1,522,528
	Middlesex	1	1,141,840	0	56	1,142,250
	New Brunswick	1	30,360,000	253	0	17,000,000
	Perth Amboy	1	39,270,000	390	172	116,111,263
	Piscataway	2	58,004,750	1,097	251	46,264,000
	Plainsboro	2	18,980,000	160	602	22,336,919
	Woodbridge	3	25,944,520	375	276	14,708,460
Middlesex Total		15	223,179,820	2,839	1,464	277,784,199
Middlesex and Somerset	Middlesex and Bridgewater	1	11,486,250	50	241	17,500,000
Middlesex and Somerset Total		1	11,486,250	50	241	17,500,000
Monmouth	Eatontown	1	2,135,000	36	50	6,400,000
	Holmdel	3	58,028,340	737	706	51,243,824
	Red Bank	1	2,660,000	50	90	3,280,963
Monmouth Total		5	62,823,340	823	846	60,924,787
Morris	Florham Park	1	2,430,000	45	0	1,314,086
	Hanover	1	40,000,000	900	0	19,413,570
	Madison	1	58,284,000	300	1,019	103,700,000
	Morris	1	2,205,000	41	44	1,479,397
	Parsippany	1	3,120,550	44	123	2,147,510

	Parsippany-Troy Hills	4	21,735,060	177	943	22,841,555
Morris Total		9	127,774,610	1,507	2,129	150,896,118
Ocean	Brick	1	4,101,250	61	71	2,815,000
	Lakewood	5	49,382,770	454	495	21,069,110
Ocean Total		6	53,484,020	515	566	23,884,110
Passaic	Clifton	2	20,277,500	153	259	5,950,015
	Passaic	1	10,325,000	70	0	5,856,884
	Paterson	8	116,565,000	292	542	40,584,984
Passaic Total		11	147,167,500	515	801	52,391,883
Passaic/Essex	Clifton/Nutley	1	16,937,500	271	0	55,158,000
Passaic/Essex Total		1	16,937,500	271	0	55,158,000
Somerset	Branchburg	1	14,872,500	50	561	24,100,000
	Bridgewater	4	66,922,470	377	2,608	106,479,002
	Franklin	2	5,712,500	59	53	11,363,500
	Somerset	1	2,865,000	35	121	3,000,000
	Warren	1	20,425,000	337	143	26,413,500
Somerset Total		9	110,797,470	858	3,486	171,356,002
Somerset/Bergen	Branchburg/Teterboro	1	10,254,300	60	464	73,910,484
Somerset/Bergen Total		1	10,254,300	60	464	73,910,484
Union	Berkeley Heights	1	3,656,000	75	100	1,148,400
	Elizabeth	2	27,000,000	300	0	3,664,999
	Hillside	1	2,600,000	20	25	3,700,000
	Summit	1	3,150,000	45	0	919,800
	Union Township	1	5,475,000	52	115	2,900,000
Union Total		6	41,881,000	492	240	12,333,199
Warren	Phillipsburg	1	1,050,000	14	0	800,000
Warren Total		1	1,050,000	14	0	800,000
Grand Total		227	\$4,426,564,005	28,670	30,517	\$3,941,012,486

APPENDIX III: GROW NEW JERSEY COSTS PER JOB

**Table A-2
Annual Costs Per New and Retained Job**

County/City	Annual Cost Per New Job	Annual Cost Per Retained Job
Atlantic County	10,367	8,381
Atlantic City	9,922	8,381
Galloway Township	11,000	-
Bergen County	4,542	2,569
Carlstadt Borough	4,500	-
East Rutherford Borough	-	3,250
Englewood Cliffs	-	2,375
Mahwah Township	12,741	4,934
Montvale Borough	-	1,933
Northvale Borough	7,250	3,625
Paramus Borough	3,750	1,875
Ridgefield Park Village	486	-
Rutherford Borough	3,250	-
Teterboro Borough	-	2,219
Wallington Borough	3,000	1,500
Woodcliff Lake Borough	2,789	1,394
Burlington County	5,614	3,742
Evesham Township	4,000	-
Florence Township	8,367	3,929
Moorestown Township	4,250	2,125
Camden County	29,523	21,199
Camden City	39,340	25,678
Pennsauken Township	7,941	2,784
Somerdale Borough	4,500	1,805
Voorhees Township	4,250	2,125
Winslow Township	7,500	3,750
Cumberland County	7,450	4,510
Deerfield Township	11,250	5,625
Millville City	10,000	3,249
Vineland City	6,188	3,709
Essex County	9,409	3,628
Bloomfield Township	6,705	-
Newark City	8,919	3,628
Nutley Township	12,250	-
Gloucester County	7,997	4,423
Glassboro Borough	6,398	3,778
Logan Township	11,000	5,500
West Deptford	6,500	3,250
Hudson County	8,285	3,752
Bayonne City	8,009	-
Hoboken City	8,734	4,191
Jersey City	8,566	4,221
Kearny Town	4,500	2,250
North Bergen Township	4,000	-
Secaucus Town	5,644	2,724
Mercer County	7,278	3,752
Hamilton Township	6,000	-
Lawrence Township	4,542	1,708
Trenton City	10,461	12,613
West Windsor Township	5,579	1,827
Middlesex County	6,789	2,298

Carteret Borough	8,943	-
Cranbury Township	6,500	-
Edison Township	3,500	1,153
Middlesex Borough	-	3,326
New Brunswick City	12,000	-
Perth Amboy City	8,250	4,125
Piscataway Township	4,859	1,875
Plainsboro Township	4,109	2,061
Woodbridge Township	5,887	1,402
Monmouth County	5,152	2,492
Eatontown Borough	3,500	1,750
Holmdel Township	5,345	2,640
Red Bank Borough	3,500	1,750
Morris County	4,881	2,547
Florham Park Borough	5,400	-
Hanover Township	4,444	-
Madison Borough	7,200	3,600
Morris Township	3,500	1,750
Parsippany-Troy Hills Township	3,660	1,573
Ocean County	6,971	3,107
Brick Township	4,250	2,125
Lakewood Township	7,336	3,248
Passaic County	10,190	10,640
Clifton City	7,760	3,542
Passaic City	14,750	-
Paterson City	13,875	14,031
Somerset County	5,002	1,879
Branchburg Township	3,221	2,048
Bridgewater Township	5,390	1,789
Franklin Township	5,327	2,052
Warren Township	5,000	2,500
Union County	7,581	1,875
Berkeley Heights	4,000	656
Elizabeth City	9,000	-
Hillside Township	7,750	3,875
Summit City	7,000	-
Union Township	5,000	2,500
Warren County	7,500	-
Phillisburg Town	7,500	-

APPENDIX IV: BENEFIT-COST RECOMMENDATIONS MEMORANDUM



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November 7, 2016

Tim Lizura, President/COO
Maureen Hassett, Senior Vice President, Governance, Communications and Strategic Initiatives
New Jersey Economic Development Authority

Re: Proposed changes to NJEDA Economic Impact Model

Tim and Maureen:

We have reviewed the proposed changes to the economic impact model used in the benefit-cost calculations for Grow NJ and ERG projects. We believe that several of these useful revisions will result in more accurate benefit estimates generated by the modeling process (e.g., via more highly articulated personal income tax calculations and incorporation of NJEITC effects), and we also concur with the revisions designed to render the benefit estimates more conservative (e.g., treatment of sales taxes in UEZs).

We also have several observations and suggestions NJEDA and JLL may wish to consider as the basis for further revisions intended to improve the accuracy of the estimates, render the calculations more conservative in their approach, and apply certain commonly accepted practices to the modeling process. Most of these apply to the proposed changes to the model described by NJEDA, with a couple of additional observations we believe are relevant. We recognize that the modeling process is subject to ongoing review and revision and that it may not be possible to consider these changes in the nearer term.

- 1) Term of benefit calculation: We agree that it is important to recognize the increased uncertainty associated with impacts potentially occurring beyond the (usually) 15-year statutory term during which the awardee is required to remain in the state. NJEDA proposes to do this by increasing the discount rate by 5% annually for each year beginning in year 16. To ensure a strictly conservative approach to the calculation of benefits, we recommend that the period of measurement for most benefits end at the statutory time limit of the award. The rationale for this is that, at that juncture, the awardee once again will face a financial decision that may result in re-application for an NJEDA award. We do agree, particularly in cases where large capital investments have been made in new structures, there may be local property tax benefits and/or social benefits and amenities that continue beyond the 15-year period, even if the awardee should relocate its operations elsewhere. It therefore may be appropriate for the benefit calculation for such projects to include some portion of the estimated property tax revenues beyond the statutory limit of the award, based on the value of the structure, depreciated over time (based on federal tax depreciation schedules).
- 2) Inflation and discount rates: From our understanding, the estimated benefits (both direct and indirect) are increased at a 3% annual rate that strictly reflects inflation (rather than business expansion). It is important to note the distinction between the lower future purchasing power implied by inflation, and the time value of money intended to be captured by discounting. Discounting reflects the preference for current consumption and the opportunity cost of investments. Inflation reflects economy-wide increases in wages and/or prices, and if included in benefit-cost calculations, should be included *in addition to* the real discount rate. Thus, the current practice of growing benefits by 3% annually to reflect inflation, then discounting back at a 6% rate, implies a real discount rate of approximately 3%. We would recommend using the



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taxable equivalent rate for state capital bond issues as the real discount rate, in order to reflect the current cost of capital to the state. Then, if benefits are increased by an assumed inflation rate of 3% (or another figure), that same rate should be *added to the discount rate when calculating the net present value of benefits*. That is, if the benefits are in nominal (current dollar) rather than real (constant dollar) terms, the discount rate is equal to the opportunity cost of the investment to the state plus the rate of inflation.

- 3) Alternative discount rate for indirect benefits: We do not agree with the recommendation that indirect benefits be discounted at a higher rate than direct benefits based on the spread between low and high risk corporate credits. Instead, in accordance with our recommendation that the taxable equivalent interest rate on state capital bonds be used as the discount rate for direct effects, we also suggest that the same rate be used for indirect effects. Using an alternative rate for indirect effects ignores a number of confounding factors already inherent in the modeling process, including the use of regional purchase coefficients (which capture the anticipated trade leakage of indirect effects). We should note that federal government guidelines for benefit-cost analysis of federal investment moneys require that indirect effects be wholly excluded from benefit-cost analyses, reflecting the assumption that production is under capacity, but that the national economy is operating at full employment (see OMB Circular A-94 – www.whitehouse.gov/omb/circulars_a094). However, this assumption is somewhat looser at the state level, since it is less likely that additional demand in the economy can be met by in-state production at existing employment levels.
- 4) Discounting of costs: The same discounting procedure should be applied to the cost side of the benefit-cost calculation as to the benefit side. It is our understanding that calculations to date only discount the benefits. While this change would decrease the net present value of a given project's costs – thus increasing the benefit-cost ratio in a “less conservative” direction – it is commonly accepted practice to discount both benefits and costs at the same rate, so that comparisons of the present value of both sides of the benefit-cost equation are on equivalent terms.
- 5) Progressive Tax Scale/NJEITC: We agree that recognition of the NJEITC, together with a more articulated calculation of personal income taxes, should result in a more accurate estimation of personal income tax revenues generated from the awarded projects.
- 6) Sales tax rate applied to indirect purchases: We noted that the current modeling process applies an effective 3.5% sales tax rate to all business spending. We recommend using the detailed RIMS II data to estimate business spending into the retail and wholesale sectors (and possibly to taxable service sectors as well), and applying the full 7% rate to those specified expenditure categories.

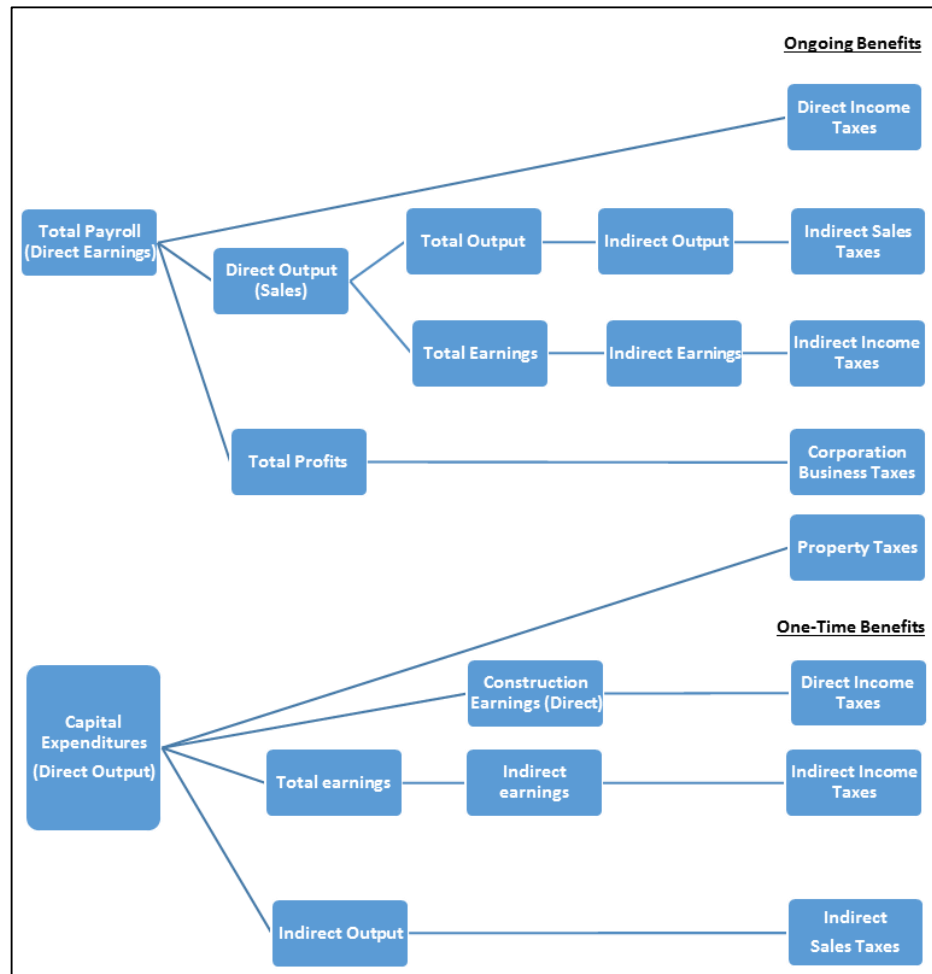
Best regards,

Will Irving
Project Manager

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A review of the approach used in determining the direct and indirect effects and associated tax revenues indicates that the analyses may mis-estimate these effects due to a number of factors. We recommend a revised modeling approach that more accurately estimates these effects. The revised estimation pathways are shown in Figure A-3. [Note that there are additional steps in the tax calculations that are not reflected in the diagram, but are elaborated in the text.] As explained in detail below, these revised approaches draw on state, rather than county-level economic multipliers, and use additional data sources and alternative methodologies to more accurately estimate tax benefits.

Figure A-3
Revised Benefit-Cost Model Structure



Economic multipliers are tools used to estimate the additional economic activity that occurs as the result of an initial investment, expenditure or other economic event. The benefit-cost model used by NJEDA was designed using county-level multipliers produced by the U.S. Bureau of Economic Analysis's RIMS II input-output modeling system. The use of county-level multipliers was chosen in order to obtain relatively conservative benefit estimates, given that multipliers for counties tend to be smaller than they are for states. More conservative estimates of indirect economic effects would result in a more rigorous benefit-cost test for Grow NJ applicants. It is true that use of county-level multipliers will generally result in somewhat more conservative estimates of the income taxes calculated on the basis of indirect earnings, and of the sales taxes on business expenditures generated indirectly by the initial business activity. However, due to an incomplete understanding within NJEDA's benefit-cost model of how worker commuting between counties affects the use of multipliers, we suggest that the use of county multipliers in the benefit-cost model contributes to sometimes significant mis-estimation of benefits, including potential over-estimation. Below we detail this issue and suggest an alternative approach using publicly available national and/or state-level data.

NJEDA's benefit-cost model estimates the tax revenues generated indirectly (i.e., via the multiplier effect) by the firms' business activity by applying tax rates to estimates of indirectly generated corporate spending and personal income. The first step in this process uses projected payroll (known as "direct earnings" for modeling purposes) of the Grow NJ applicant to estimate the total regional earnings (direct + indirect) generated by the applicant's business activity. The total earnings are calculated by applying a direct effect earnings multiplier to the direct earnings (payroll) of the firm in question. This direct effect earnings multiplier – taken from the Regional Input-Output Modeling System (RIMS II) produced by the U.S. Bureau of Economic Analysis – estimates the total change in earnings for households employed in all industries for each dollar of earnings paid directly to households employed by the industry of the firm in question.²⁶ The direct earnings (payroll) of the applicant firm is then subtracted from this total, and an effective income tax rate is applied to the remaining *indirect* income to estimate the indirect gross income tax revenues projected to result from the applicant's business activity – one of the benefits used in the benefit-cost analysis. This will generally result in more conservative estimates of indirect income taxes, as the direct effect earnings multipliers for counties will generally be smaller than those for the state (or nation).

In the next step, the total earnings (direct + indirect) calculated in the first step are used to calculate "direct output" (used in the model as a proxy for the applicant's revenue²⁷) by dividing total earnings by the RIMS II "final demand earnings multiplier" for the industry in the region. The final demand earnings multiplier "represents the total dollar change in earnings of households employed by all industries for each additional dollar of output

²⁶ See https://www.bea.gov/regional/pdf/rims/RIMSII_User_Guide.pdf.

²⁷ In input-output modeling, a firm or industry's revenues are in most cases equivalent to its expenditures (including payroll), plus profits, overhead and certain taxes.

delivered to final demand by the industry” of the applicant firm. This approach to calculating total earnings and total output for a region is similarly set forth by the Bureau of Economic Analysis in the RIMS II user handbook, which suggests first dividing the final demand earnings multiplier by the direct effect earnings multiplier for the industry to obtain a ratio of earnings to output for the industry, then dividing the direct earnings (payroll) by that ratio to estimate direct output.²⁸ The total output (direct + indirect) for the region is then calculated using a final demand output multiplier, and the direct output is subtracted from that total to derive an estimate of indirect output, to which the model applies a 3.5% tax rate (effectively applying the 7% sales tax rate to 50% of a firm’s output).

However, when using the direct effect earnings multiplier for a region (county or state), one assumes that the direct earnings are *all attributable to residents (i.e., households) of the region (e.g., county), and thus, that the indirect earnings are also limited to those within the region*. This is because the RIMS II system, in developing multipliers, only uses the part of direct earnings that are earned by labor in households in the region. As a result, applying the county direct effect earnings multiplier to the entire payroll of the firm will likely overstate the total regional earnings that are then used to estimate (the firm’s) direct output. In other words, if using this approach as outlined by the RIMS II handbook, the direct earnings used in the model should be discounted to account for the leakage of earnings of the firm’s workers who commute into the county.

This fundamental issue is reflected in the relationship between the final demand earnings multiplier and the direct effects earnings multiplier for a region. Dividing the former by the latter as indicated in the RIMS methodology derives a ratio of direct earnings to direct output, but it is in fact the ratio of the direct earnings (payroll) of households *in the region (e.g. Hudson County)* to the *total output of the firm*. If this ratio underestimates the actual share of compensation (direct earnings) in an industry or firm’s output, the inverse ratio (direct output to direct earnings) will be overstated (and vice versa), leading to distortions in the representation of direct, and hence indirect output.

For example, assume a health insurance company in Hudson County (as in one of the case studies presented below) has a payroll of \$1 million. Using county level multipliers and the RIMS suggested methodology as employed by NJEDA, resting on the assumption that all workers reside in Hudson County, one would first multiply the total payroll by the direct effect earnings multiplier for the health insurance industry in Hudson County (approximately 2.0) to attain a total Hudson County earnings effect of \$2 million (1). One would then subtract direct earnings from total earnings to arrive at an estimate of indirect earnings of \$1 million (2), to be taxed as income. One would then divide the total earnings estimate (\$2 million) by the final demand earnings multiplier for the industry in Hudson County (approximately 0.1) to arrive at direct output (i.e., firm sales revenue) of \$20 million (3). This total would then be multiplied by the final demand output multiplier (about 1.6) to arrive at a total output of \$32 million (4), and indirect output of \$16 million (total output less

²⁸ See https://www.bea.gov/regional/pdf/rims/RIMSII_User_Guide.pdf.

direct output) (5), to be taxed at 3.5%.

1. \$1 million (payroll) x 2.0 (direct effect earnings multiplier) = \$2 million (total earnings)
2. \$2 million (total earnings) - \$1 million (direct earnings) = \$1 million (indirect earnings)
3. \$2 million (total earnings) / 0.1 (final demand earnings multiplier) = \$20 million (direct output)
4. \$20 million (direct output) x 1.6 (final demand output multiplier) = \$32 million (total output)
5. \$32 million (total output) - \$20 million (direct output) = \$16 million (indirect output)

In the approach used by NJEDA, the estimate of \$20 million in direct output would imply that the share of the firm's output (i.e., "direct output") accounted for by payroll (i.e., "direct earnings") is 5%. One can arrive at this result more directly using the RIMS Handbook approach of dividing the final demand earnings multiplier by the direct effect earnings multiplier to find the ratio of direct earnings to direct output: $0.1 / 2.0 = .05$. Note again, however, that this is a ratio of the direct earnings (payroll) of households *in the county* to the *total output of the firm*. The actual share of the firm's output that goes to payroll should include the earnings not only of those residing in the county, but of all employees. National input-output tables provide a breakdown of the "production recipe" for each industry – that is, the share of each dollar of each industry's output that is spent on other industries, *and on labor*. Because these data are aggregated at the national level, they do not account only for the local contribution of households to output. We can therefore determine from the national data on the insurance industry²⁹ that compensation's share of output for the insurance industry at the national level is in fact closer to 26% than to 5%. This would suggest that the direct output as calculated here is over-estimated by a factor of five, leading to a significant over-estimation of indirect output and associated taxes.

It should be noted that not all results calculated with county-level multipliers will overstate indirect output or total tax revenues. As suggested in the alternative approach outlined below, the direction and magnitude of the adjustment will depend on the relative sizes of the county multipliers and the suggested alternatives. Further, the state-level multiplier examples presented here are based on older RIMS II multipliers and are provided and used only for illustrative purposes, though the state-level inter-industry relationships are unlikely to have changed significantly, and the most potentially impactful changes recommended here rely not on RIMS II state multipliers but rather on up-to-date national data (compensation-to-output ratios). In addition, the county-level multipliers used in the JLL model have been updated since the model's inception, and those used in the examples presented below may not be those that would be used going forward.

²⁹ Specifically, the insurance industry vector in the Commodity-by-Industry Direct Requirements Matrix of the national input-output tables produced by the U.S. Bureau of Economic Analysis. These tables comprise the underlying source of the RIMS II multipliers.

The first step in the alternative approach would replace the two-step derivation of direct output with the direct earnings (i.e., compensation) to direct output ratio at the national level, in order to more accurately reflect the actual contribution of labor to firm output.³⁰ In this approach, all earnings are assumed to accrue to households in New Jersey. *We note, however, that model revisions adopted in February 2017 do account for interstate commutation when calculating the gross income taxes on direct earnings.*³¹ Having thus calculated a direct output estimate, we then suggest applying *state-level* multipliers to calculate indirect earnings and output. While these multipliers will in most (though not all) cases be larger (i.e., less conservative) than the county-level multipliers, we recommend that they be used, as the calculations are intended to provide a basis for estimation of *state* income and sales taxes. The following steps would thus replace steps 1-5 outlined above.

1. \$1 million (direct earnings) / 0.26 (*national* compensation share of output) = \$3.85 million (direct output)
2. \$3.85 million (direct output) x 2.3 (state level final demand output multiplier) = \$8.85 million (total output)
3. \$8.85 million (total output) - \$3.85 million (direct output) = \$5 million (indirect output)
4. \$3.85 million (direct output) x .6268 (state level final demand earnings multiplier) = \$2.4 million (total earnings)
5. \$2.4 million (total earnings) - \$1 million (direct earnings) = \$1.4 million (indirect earnings)

In this approach, step (1) calculates direct output as a function of direct earnings based on the relationship at the national level, without using the intermediate step of conversion to total earnings. This results in what we suggest is a more reliable estimate of direct output on the basis of earnings. *In this case, the estimate is significantly lower than in the original approach, but this will not always be the case.* For industries/counties that have lower rates of commutation, the county estimates would more closely align with the national ratio of earnings to output. As in the original approach, steps (2) and (3) calculate indirect output using the final demand output multiplier, in this case at the state level. The state-level multiplier is larger than that of the county (2.3 vs. 1.6) resulting in a higher estimate of indirect output relative to direct output. Indirect earnings are calculated in step (4) and step (5) by applying the state-level final demand earnings multiplier to the estimate of direct

³⁰ Alternatively, one could use the suggested RIMS approach adopted by NJEDA (i.e., dividing the final demand earnings multiplier by the direct effect earnings multiplier to estimate the direct earnings to direct output ratio), but using New Jersey state-level multipliers instead of county multipliers. However, we suggest using the national level data as a more direct representation of the industry-level direct earnings to direct output ratio.

³¹ This modification is discussed in further detail in the section below discussing the tax calculations. It does not address the issue of commutation as it regards the use of county-level multipliers to calculate direct (and indirect) output.

output derived in step (1), and subtracting direct earnings from this total. Because state-level final demand earnings multipliers will tend to be higher than at the county level (here, 0.6268 rather than 0.1), this will generally result in higher estimates of indirect earnings.

Implications for State Tax Revenue Benefits and Recommendations for Revisions to Indirect Sales Tax Estimation

The effect of the changes suggested above on the calculation of indirect state tax revenue benefits will depend on the direction and magnitude of the changes to the estimated indirect income and output. We also recommend further revisions to the calculation of indirect income and sales tax revenues.

Gross Income Tax on Indirect Earnings

Prior to model revisions adopted in February 2017, an effective gross income tax rate of 4% was applied to direct and indirect earnings. With this approach, the change in gross income taxes on indirectly generated earnings would simply change (likely increase) under the new calculation by the same percentage as the change in indirect earnings resulting from the application of a state-level, rather than a county-level multiplier. In the example above, the 4% rate would be applied to indirect earnings (as well as direct earnings) of \$1.3 million to generate indirect gross income taxes of \$52,000, compared to 4% of \$1 million, or \$40,000 under the current approach using county-level multipliers.

Based on revisions made in February 2017, the model now applies an average tax rate to direct and indirect wages that draws on actual marginal tax rates applicable to the projected actual or average wages of the directly generated jobs associated with Grow NJ applicant firms' activity. The revised model also accounts for interstate commuting of employees in the direct jobs based on the county where the firm is located, thus more conservatively projecting the income tax revenues associated with the direct earnings. We note that the marginal tax rates applied to the direct earnings are an arithmetic average of the calculated effective rates for single and married filers.

Recommendation: We would recommend weighting this average based on the division between single and married filers in the most recent Statistics of Income report issued by the New Jersey Division of Taxation.

We also note that the model presently applies the effective gross income tax rate determined from the information on direct earnings to the aggregate indirect earnings as well.

Recommendation: We recommend calculation of a separate effective rate for indirect earnings based the average earnings per indirect job. The model already calculates the number of indirect jobs by applying a county-level final demand employment multiplier (the number of total jobs for each million dollars of direct output) to the estimate of direct output to estimate total jobs, then dividing by the direct effect multiplier to estimate direct jobs, and subtracting

this number from the total jobs estimate.³² *We agree with this approach, but to ensure consistency with the previous calculations, state multipliers and the more direct approach to estimating direct output described above should be used. The estimated indirect earnings should then be divided by the estimated indirect jobs to derive average indirect earnings per job, which can then serve as the basis for calculation of a separate effective income tax rate.*

Sales Taxes on Indirect Output

The model currently applies an effective sales tax rate of 3.5% to all indirect output, using indirect output as a proxy for expenditures and implicitly assuming that 50% of expenditures (when the sales tax rate was 7%) are taxable.

Recommendation: We recommend that the RIMS state-level table of final demand output multipliers by industry be used to more directly estimate these taxes. The table can be used to calculate the share of indirect output associated with a given industry's expenditures that is spent on certain other industries. In this case, we suggest using the allocations to retail, wholesale and food service industries, and applying the full sales tax rate (now 6.625%). We recognize that this approach does not capture certain taxable services, but we believe it accounts for the majority of taxable expenditures. Another important step in applying this approach involves the recognition that RIMS data in the final demand output multiplier tables count only wholesale and retail *margins* as output, rather than total sales. It is therefore necessary to adjust the shares of output allocated to retail and wholesale expenditures to reflect that they represent 28.7% and 18.3% of their actual sales (output) values, respectively.³³ This is a straightforward calculation and the resulting total shares of indirect output by industry for retail, wholesale and food service expenditures are included as part of Appendix VI.

Calculation of Corporation Business Tax Revenues

For firms subject to the corporation business tax (CBT), in the past the model has calculated (CBT) revenues based on a per-job estimate of corporate net income, to which an applicable rate of 9% or 4% is applied depending on the firm's filing status. With the model revisions of February 2017, the model now excludes CBT revenues from the benefit calculation for projects that do not result in an increase in taxable income in the state. In addition, applicants are now required to submit documentation of their state corporate tax obligations (either in New Jersey or in another state if relocating from outside New Jersey)

³² This estimate of direct jobs will be different than the actual number of direct jobs associated with the project. This is because it is derived on the basis of average earnings for the industry, rather than the actual average salaries projected by the applicant. It is used only for the purpose of estimating the indirect employment associated with the indirect earnings.

³³ The adjustment factors for the retail and wholesale industries represent gross margins as a percentage of sales at the national level as reported by the U.S. Census Bureau based on the Annual Retail Trade Survey and the Annual Wholesale Trade Survey.

from prior years. This information is then used to estimate the CBT revenues included in the benefit-cost analysis.

Recommendation: While the estimated CBT revenues for the benefit-cost analysis are now calculated using data supplied by the applicant, we recommend that NJEDA still use an independent estimating procedure. This can serve as a point of comparison for verifying that the estimated CBT revenues calculated on the basis of applicant documentation are comparable to those that would be estimated using current industry-standard data for the state. Under the previous modeling approach, the per-job net income values used in calculating the estimated taxable income range from \$30,000 to \$130,000 depending on the broad industry group in which the firm is classified. As an alternative, we recommend using the most recent state data on industry-level compensation and gross operating surplus available from the U.S. Bureau of Economic Analysis to calculate an estimate of net taxable income. The ratio of gross operating surplus to compensation by industry (currently available for 2015) can be applied to estimated payroll (direct earnings) to derive this estimate. The applicable industry ratios of gross operating surplus to compensation are provided in Appendix VII.

Appropriate Inclusion of Property Tax Revenues

Benefits included in the model include local property taxes to be paid on the improvements made to property by the capital expenditures associated with each project. These taxes are usually estimated at 3% on the value of eligible construction expenditures. Garden State Growth Zones have the option of offering tax exemptions on these improvements. In Camden, Trenton and Passaic, Grow NJ projects are exempt from payment of property taxes on these improvements for the first five years, or in the case of projects designated as Garden State Growth Zone Development Entities, ten years after project completion. In the latter cases, property taxes are then phased in at 10% per year over the subsequent 10-year period (years 11-20). However, we note that, according to the program rules, the benefit-cost analyses for projects in these areas nevertheless include these tax revenues in full in the benefit stream for the entire analysis period. For projects with significant capital expenditures, these estimated revenues can constitute a significant portion of the projected annual benefits even though such benefits are not realized by the state or municipality. A review of a selection of the Camden alternatives shows property taxes accounting for between 15% and 44% of annual project benefits. For those projects with relatively low benefit-cost ratios where these taxes represent a large share of the calculated benefits, their inclusion may have resulted in the benefit-cost threshold of 1.0 being attained when it otherwise would not have been, even when benefits were calculated over a 35-year period in cases prior to the adoption of the revised modeling parameters.

Recommendation: We recommend that these non-realized tax revenues be excluded from future benefit-cost analyses.

Averaging of Multipliers

We also note that in cases where a Grow NJ project has more than one industry classification for different portions of its facility or for multiple sites, the current model calculates aggregate multipliers by weighting the industry multipliers used for each site by the square footage of the site. It then applies these weighted aggregate multipliers to the aggregate earnings and output estimates. However, this derivation of aggregate multipliers is not necessary, as the calculations of direct and indirect earnings and output for each industry/site, when summed across sites, can be used to derive the aggregate multipliers directly, rather than weighting by square footage, which may in some cases distort the value of the multipliers.

One-Time Impacts

Similar to calculation of ongoing benefits, the benefit-cost model also calculates the *one-time* tax benefits associated with the construction expenditures made for each Grow NJ project. These benefits occur as a result of the construction expenditures and therefore do not recur annually as in the case of the annually repeating benefits associated with the firms' ongoing activity. For the one-time benefits, we recommend a revised approach similar to that for calculating the ongoing tax benefits of each project.

Recommendation: Under the current model, total construction expenditures are used to estimate indirect expenditures, and a sales tax rate is then applied to these indirect expenditures. As in the case of the ongoing expenditures, the model currently uses county-level multipliers to estimate indirect impacts. We again recommend the use of state-level RIMS multipliers in all cases.

Indirect Sales Tax Revenues

The model first uses the estimate of total construction expenditures to estimate indirect spending generated by the project. The total construction value also used to estimate annual property tax revenues is multiplied by the final demand output multiplier for the construction industry to derive an estimate of indirect output. As with the ongoing expenditures, this estimate is multiplied by an effective tax rate to arrive at an estimate of indirect sales tax revenues. However, in the case of the one-time expenditures, the model uses a 7% rate, rather than the effective 3.5% rate used in calculation of the ongoing indirect sales tax revenues.

Recommendation: As with the ongoing revenues, we recommend an alternative approach that applies the *state* final demand output multiplier to estimate indirect spending, then applies the applicable retail/wholesale/food service shares of spending for the construction industry, and *then* applies the full 7% rate to the resulting expenditure estimates.³⁴ While the current model's application of the full 7% rate to *all* indirect expenditures would likely overstate these revenues, its use of county-level multipliers *and the exclusion of labor costs in calculating indirect output* instead result in estimates somewhat lower than would be calculated using this alternative approach. Given that these are state-level impacts, however, and given the aforementioned complications that arise from the use of county-level multipliers in the estimation of ongoing benefits, we continue to recommend the use of state multipliers.

Direct Sales Tax Revenues

We also note that the model calls for calculation of sales taxes on direct construction expenditures by applying a 7% sales tax rate to the non-labor portion of total construction

³⁴ The state sales tax rate is currently 6.625%, but we use the previous level of 7% in order to provide a comparison consistent with the parameters used at the time the model was adopted.

value. We have some concern that this may result in double counting of sales tax revenues, which are by definition *indirect* (i.e., not collected and remitted by the construction contractor). Contractors effectively pay the sales taxes on behalf of their clients, but few contractors send sales taxes to the state. Like householders, the taxes they pay are sent in to the State by retailers, wholesalers, and a relatively small set of service providers, manufacturers, and subcontractors. That is, while the contractors pay for such taxes they only do so indirectly. As such, no effective sales tax rate should be attached to the net income of contractors. Taxes on purchases of construction materials are more accurately captured as part of the taxes on the indirect output of the construction sector as described above. We thus recommend that this element of the one-time impacts be excluded from the model.

Direct and Indirect Income Tax Revenues

The model currently applies an income tax rate of 5% to both direct and indirect earnings generated through construction expenditures. We recommend a revised approach to calculating indirect earnings and either the application of the already updated JLL income tax calculation module or a lower effective rate of 3% to generate more refined income tax estimates.

The model assumes construction earnings to be 50% of “hard construction costs.” A county-level direct effect earnings multiplier is then applied to these direct earnings, and a 5% effective income tax rate is then applied to both direct and indirect earnings.

Recommendation: As in the case of the ongoing impacts, we recommend that the final demand earnings multiplier for the state be applied to the *total construction value* (inclusive of labor). The direct payroll (already estimated as 50% of “hard costs”) can then be subtracted from the total earnings to derive an estimate of indirect earnings. Further, rather than using a 5% aggregate income tax rate, we recommend using the articulated tax model developed by JLL used in calculating the ongoing income tax benefits.

For this purpose, we suggest that average earnings and employment for the one- time direct and indirect jobs be calculated as follows:

1. Direct earnings are first calculated under the assumption that they account for 50% of total construction expenditures

$$\text{Direct earnings} = \text{Hard costs} \times 0.5$$

2. The total state final demand earnings multiplier (.6956) should be applied to the total construction expenditures (inclusive of direct earnings) to estimate total earnings.

$$\text{Total earnings} = .6956 \times \text{Direct output (Total construction costs)}$$

3. Direct earnings – already calculated as 50% of “hard costs” – should then be subtracted from the total earnings derived in step (2) to arrive at an estimate of indirect earnings.

$$\text{Indirect earnings} = \text{Total earnings} - \text{direct earnings}$$

Because construction data in the RIMS model is not articulated by type of facility (and as a result tends to underestimate construction sector earnings per job), the next steps use state employment multipliers and state data on construction wages to calculate income tax revenues for the direct and indirect employment generated by the construction spending.

4. The New Jersey Department of Labor provides prevailing wage rates by detailed construction type by county.

Recommendation: We recommend that these rates serve as the basis for calculating taxes on direct earnings using JLL's detailed income tax module. The project-appropriate per-employee prevailing wages should be chosen and the taxes estimated. The direct earnings should be divided by the prevailing wage rate to determine the number of construction salaries to which the estimated tax rates should be applied.

Average Income Taxes = Prevailing Wage x Effective income tax rate (JLL module)

5. Number of direct jobs = Direct earnings/Prevailing Wage
6. Direct Income Taxes = Average Income Taxes x Number of Direct Jobs
7. To calculate indirect income taxes, we also recommend an approach that uses the JLL tax module and average indirect earnings.

Implied total jobs = Total construction costs (incl. labor) x State final demand employment multiplier/1 million

[Note: this calculation is used to derive the estimate of indirect jobs used in the tax calculations. Due to the aforementioned lack of detail in the RIMS model's representation of the construction sector, it is not used to estimate the direct construction jobs associated with the project, which are estimated in step (5) above.]

8. Indirect jobs = Implied total jobs – (Implied total jobs/direct effect employment multiplier)
9. Average indirect earnings = Indirect earnings (step (3)) / indirect jobs
10. Average indirect income taxes = Average indirect earnings x Effective income tax rate (JLL module)

Award Case Studies

To illustrate some of the issues regarding the benefit-cost approach, we provide detailed examinations of the benefit-cost test as assessed for several projects.

Sharp Electronics

Sharp Electronics, the sales and marketing arm of the Japanese electronics company, was approved for a Grow NJ award of \$6.92 million over 10 years. The project would relocate the firm’s current 346 employees in New Jersey from Mahwah to Montvale, both in Bergen County. The total payroll for the facility is \$38.9 million. The estimated benefits calculated under the original approach and the recommended revised approach are as follows:

Tax Revenue Benefits	Original Approach	Revised Approach
Ongoing (Annual)		
Indirect Sales	\$3,979,621	\$3,078,040
Direct Income (@ 4%)	\$1,557,440	\$1,557,440
Indirect Income (@ 4%)	\$731,169	\$732,795
CBT (9%)	\$2,179,800	\$1,100,125
Total Ongoing (Annual)	\$8,448,030	\$6,468,400
One-Time³⁵		
Direct Sales	\$255,426	-
Indirect Sales	-	\$442,957
Direct Income (@ 5%)	-	-
Indirect Income (@ 5%)	-	-
Total One-Time	\$255,426	\$442,957

These benefits were calculated as the aggregate of three subsets of firm activity – i.e., three industries – at the proposed location. Each of these activities would occupy a designated portion of the facility:

- Administrative and support services: 4,565 square feet
- Professional, scientific and technical services: 96,463 square feet
- Management of companies and enterprises: 4,260 square feet

Ongoing Indirect Sales Tax

The indirect sales taxes estimated to be generated by the project annually were calculated using the county-level multipliers for each industry as follows:

Original Approach

1. Direct payroll was multiplied by a county direct effect earnings multiplier to attain

³⁵ Income taxes and indirect sales taxes are not calculated for expenditures only on renovations under the current approach. The revised approach includes all sales taxes under taxes on indirect sales.

a total earnings estimate.

Industry	Square Footage	Direct Payroll	Direct Effect Earnings Multiplier	Total Earnings
Admin & Support	4,565	\$925,980	1.4817	\$1,372,025.6
Prof., sci. and tech	96,463	\$32,498,840	1.4545	\$47,269,562.8
Mgmt. of companies	4,260	\$5,511,170	1.7953	\$9,894,203.5
Total	105,288	\$38,935,990	1.4695	\$58,535,790.8

While the alternative calculation is detailed below, it is worth noting here that the direct earnings multiplier for the total payroll – 1.4695 – is calculated as a square-footage-weighted average of the individual industry multipliers, and used later in the process to calculate impacts. While the proposed revised approach eliminates this particular calculation, average multipliers, when calculated on the basis of individual industries, should be derived simply by dividing the total for the indicator (here, total earnings of \$58.5 million) by the direct value (here, \$38.9 million in total earnings). In this case, the aggregate multiplier would be 1.503, rather than 1.47.

- The total earnings for each industry were divided by the industry-specific county final demand earnings multipliers to derive direct output estimates.

Industry	Square Footage	Total Earnings	Final Demand Earnings Multiplier	Direct Output
Admin & Support	4,565	\$1,372,025.6	0.3226	\$4,253,021
Prof., sci. and tech	96,463	\$47,269,562.8	0.367	\$128,799,899
Mgmt. of companies	4,260	\$9,894,203.5	0.245	\$40,384,504
Total	105,288	\$58,535,790.8	.360	\$173,437,424

Here once again, the aggregate final demand output multiplier of .36 (used later in the analysis) was calculated based on square-footage-weighted multipliers, rather than simply dividing the aggregate total earnings by the aggregate direct output, which would have produced an estimate of 0.34.

- These estimates were then multiplied by the county-level industry-specific final demand output multipliers and the direct output subtracted out to derive estimates of indirect output.

Industry	Square Footage	Direct Output	Final Demand Output Multiplier	Indirect Output
Admin & Support	4,565	\$4,253,021	1.6203	\$2,638,149
Prof., sci. and tech	96,463	\$128,799,899	1.6589	\$84,866,253

Mgmt. of companies	4,260	\$40,384,504	1.6184	\$24,973,777
Total	105,288	\$173,437,424	1.6556	\$112,478,179

Here, as above, the aggregate final demand multiplier should be calculated as the total output (not shown) divided by the direct output, producing an estimate of 1.649.

- In the final step, rather than using the aggregate indirect output already calculated (\$112.48 million), the aggregate direct output (\$173.4 million) is multiplied by the square-footage-weighted multiplier (1.6556) to derive a slightly higher estimate of \$113,703,470 in indirect output. This amount was then multiplied by an effective tax rate of 3.5% to derive the estimated indirect sales tax revenues of \$3,979,621 million.

Revised Approach

The alternative approach using state multipliers and selected national data proceeds as follows:

- Direct payroll is divided by the national compensation-to-output ratio for each industry, producing a direct output estimate of \$88.3 million.

Industry	Square Footage	Direct Payroll	Compensation/ Output	Direct Output
Admin & Support	4,565	\$925,980	0.449747	\$2,058,891
Prof., sci. and tech	96,463	\$32,498,840	0.515425	\$63,052,510
Mgmt. of companies	4,260	\$5,511,170	0.466766	\$11,807,137
Total	105,288	\$38,935,990		\$76,918,538

- The state-level final demand output multiplier for each industry is then applied and the direct output subtracted from the product to arrive at an estimate of indirect output.

Industry	Square Footage	Direct Output	STATE Final Demand Output Multiplier	Indirect Output
Admin & Support	4,565	\$2,058,891	2.1779	\$2,425,167.71
Prof., sci. and tech	96,463	\$63,052,510	2.1936	\$75,259,475.94
Mgmt. of companies	4,260	\$11,807,137	2.1993	\$14,160,299.40
Total	105,288	\$76,918,538		\$91,844,943

- The retail, wholesale and food service shares of indirect expenditures generated by each industry are then applied to generate an estimate of \$43.9 million.

Industry	Square Footage	Indirect Output	STATE Retail/Wholesale/Food	Taxable Indirect
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			Service Shares	Output
Admin & Support	4,565	\$2,425,167.71	0.485549	\$1,177,537.76
Prof., sci. and tech	96,463	\$75,259,475.94	0.48329	\$36,372,152.13
Mgmt. of companies	4,260	\$14,160,299.40	0.453543	\$6,422,304.67
Total	105,288	\$91,844,943		\$43,971,995

4. Finally, a 7% tax rate is applied to the estimated indirect taxable sales to arrive at an annual indirect sales tax estimate of approximately \$3.078 million – approximately \$0.9 million lower than under the current approach. (The current applicable tax rate would be 6.625%)

Ongoing Income Tax Revenues

This project preceded the model revisions adopted in 2017, and therefore uses an effective income tax rate of 4% with no assumption of interstate commutation. For purposes of comparison, we use this rate to illustrate the difference in the results of the original and revised approaches. The current NJEDA approach that uses state marginal income tax rates would be sensitive to the detailed compensation information provided by the applicant (14 positions at \$393,655 per year, 15 positions at \$61,732 per year and 317 positions at \$102,520 per year) and would account for interstate commutation.

Original Approach

1. First, the effective 4% tax rate is applied to direct payroll.
 $\$38,935,990 \times .04 = \$1,557,440$
2. To calculate indirect earnings, the county-level direct effect earnings multiplier for each industry is applied and direct earnings are subtracted out.

Industry	Square Footage	Direct Payroll	Direct Effect Earnings Multiplier	Indirect Earnings
Admin & Support	4,565	\$925,980	1.4817	\$446,045
Prof., sci. and tech	96,463	\$32,498,840	1.4545	\$14,770,723
Mgmt. of companies	4,260	\$5,511,170	1.7953	\$4,383,034
Total	105,288	\$38,935,990	1.4695	\$19,599,801

Here again, the use of square-footage weighted multipliers is problematic. As shown in the table above, the total indirect earnings sum to \$19,599,801. However, the current approach applies the square-footage-weighted average multiplier of 1.4695 to the direct payroll of \$38.9 million to derive an indirect earnings estimate of \$18,279,232.

3. This total is then multiplied by the effective 4% rate to arrive at an estimate of \$731,169 in indirect income taxes.

Revised Approach

Under the alternative approach, direct income tax revenues are unchanged. Estimated direct output and state-level final demand earnings multipliers are used to estimate indirect earnings and tax revenues:

1. First, the effective 4% tax rate is applied to direct payroll.

$$\$38,935,990 \times .04 = \$1,557,440$$

2. Direct output as calculated earlier using the national compensation-to-output ratios is then used to estimate total earnings using state-level final demand earnings multipliers for each industry.

Industry	Square Footage	Direct Output	STATE Final Demand Earnings Multiplier	Total Earnings	Indirect Earnings
Admin & Support	4,565	\$2,058,891	.7222	\$1,486,931.08	\$560,951.08
Prof., sci. and tech	96,463	\$63,052,510	.7555	\$47,636,171.31	\$15,137,331.31
Mgmt. of companies	4,260	\$11,807,137	.6888	\$8,132,755.97	\$2,621,585.97
Total	105,288	\$76,918,538		\$57,255,858	\$18,319,868

3. Because an effective 4% rate is being applied to all income in this example, the next step is simply to subtract direct payroll of \$38,935,990 from the total earnings of \$57,255,858 to derive estimated indirect earnings of \$18,319,868. This total is then multiplied by 4%.

$$\$18,319,868 \text{ (indirect earnings)} \times 4\% = \$732,795 \text{ taxes on indirect earnings.}$$

Here, the estimate is about equal to that of the original approach.

[Note that under NJEDA’s current approach using a more refined income tax module, the same effective marginal tax rate calculated and applied to direct income is then applied to indirect income as well. We suggest using state multipliers to derive estimates of indirect employment associated with the indirect earnings for each industry. This would allow for estimation of average indirect earnings per job for each industry which could then be used in conjunction with the tax module to more accurately estimate taxes on indirect income. See box below.]

Estimating Indirect Employment and Average Earnings

Original Approach

The model currently estimates indirect employment using county employment multipliers and the model’s estimate of direct output. A final demand multiplier is applied to direct output to generate an estimate of total employment.* This total is divided by a direct effect employment multiplier to estimate direct employment, which is subtracted from the total to derive the estimate of indirect employment.

Industry	Square Footage	Direct Output	Final Demand Employment Multiplier*	Total Employment (Implied)	Direct Effect Employment Multiplier	Indirect Employment
Admin & Support	4,565	\$4,253,021	9.36	40	1.38	11
Prof., sci. and tech	96,463	\$128,799,899	6.46	832	1.80	371
Mgmt. of companies	4,260	\$40,384,504	3.71	150	2.97	99
Total	105,288	\$173,437,424	6.48	1,022	1.83	481

Note again that the use of a square-footage-weighted multiplier results in the total indirect employment differing from the sum of the indirect employment by sector.

The estimated indirect earnings of \$18,279,232 would then be divided by 481 to derive estimated average earnings of \$38,000, to which the detailed marginal tax rate module should be applied.

Revised Approach

Under the revised approach, using state-level multipliers and the alternative derivation of direct output, a higher estimate of indirect employment is derived in this case. As a result, the average indirect earnings calculated on this basis using the indirect earnings estimate of \$18,319,868 is approximately \$29,033.

Industry	Square Footage	Direct Output	Final Demand Employment Multiplier*	Total Employment (Implied)	Direct Effect Employment Multiplier	Indirect Employment
Admin & Support	4,565	\$2,058,891	25.0188	52	1.4784	17
Prof., sci. and tech	96,463	\$63,052,510	14.5588	918	2.3148	521
Mgmt. of companies	4,260	\$11,807,137	11.0461	130	3.455	93
Total	105,288	\$76,918,538	14.30	1,100	2.34	631

* The final demand employment multiplier indicates the total number of jobs created throughout the economy for each million dollars of direct output in the sector. The resulting estimates of total and direct employment are only generated in order to estimate indirect employment associated with the indirect earnings generated by the project.

Ongoing Corporation Business Tax

Original Approach

Under the current approach, the CBT is calculated based on a per-employee estimate of operating margin for a selection of aggregate industries. In this case, the per-employee rate of \$70,000 for aggregate service industries is multiplied by total direct employment of 346 to derive an operating profit margin of \$24,220,000. A 9% CBT rate is then applied to derive the estimate of CBT revenues:

$$346 \text{ (direct employment)} \times \$70,000/\text{employee} = \$24,220,000 \text{ (operating profit)}$$

$$\$24,220,000 \times 9\% \text{ (CBT rate)} = \$2,179,800 \text{ CBT}$$

Revised Approach

Under the revised approach, state data on compensation and gross operating surplus (GOS)³⁶ for each detailed industry is used to derive the estimate of taxable operating profits. The direct payroll for each industry is multiplied by the state-level GOS/Compensation ratio for each industry (provided in Appendix VII), and the resulting GOS estimates are summed. The 9% CBT rate is then applied.

Industry	Direct Payroll	STATE GOS/Compensation	GOS
Admin & Support	\$925,980	0.481	\$445,396.38
Prof., sci. and tech	\$32,498,840	.338	\$10,984,607.92
Mgmt. of companies	\$5,511,170	.144	\$793,608.48
Total	\$38,935,990		\$12,223,613

$$\$12,223,613 \text{ (GOS)} \times 9\% \text{ (CBT rate)} = \$1,100,125$$

In this case, the estimated CBT is approximately half of that calculated in the original approach.

³⁶ The U.S. Bureau of Economic Analysis defines “Gross operating surplus” as “the business income of private domestic enterprises. It includes consumption of fixed capital (CFC), proprietors' income, corporate profits, and business current transfer payments (net).”

*One-Time Indirect Sales Tax*³⁷**Original Approach**

Under the current approach, 50% of the renovation value of \$7.3 million is assumed to be non-labor spending, and a 7% sales tax rate (or current level) is applied to that portion to derive what are considered *direct* sales taxes:

$$\$7,297,886 \text{ (Renovation Value)} \times 50\% \text{ (non-labor share)} * 7\% \text{ (tax rate)} = \$255,426$$

Revised Approach

Under the revised approach, the state final demand output multiplier for the construction industry is used to estimate *indirect* output based on the total renovation or construction value. The wholesale/retail share of indirect output generated by construction industry spending is then applied to the indirect output to estimate the *taxable* expenditures. The sales tax rate is then applied to this total.

$$\$7,297,886 \text{ (Renovation Value)} \times 2.2454 \text{ (State Final Demand Output Multiplier for the Construction Industry)} \times 0.6962 \text{ (wholesale/retail share)} = \$6,327,956 \text{ (Taxable Spending)}$$

$$\$6,327,956 \text{ (Taxable Indirect Spending)} \times 7\% = \$442,957 \text{ (Indirect Sales Tax)}$$

As noted in the preceding section, this approach will sometimes produce higher estimates than the original approach due to the use of state-level multipliers.

Total Tax Revenues (Benefits)

Under the original calculation, total annual tax benefits were:

$$\$1,557,440 \text{ (direct income taxes)} + \$731,169 \text{ (indirect income taxes)} + \$3,979,621 \text{ (indirect sales taxes)} + \$2,179,800 \text{ (CBT)} = \$8,448,030$$

Using the alternative approach, with the resulting lower indirect sales tax revenues, similar income tax revenues and lower CBT revenues results in the following benefits:

$$\$1,557,440 \text{ (direct income taxes)} + \$732,795 \text{ (indirect income taxes)} + \$3,078,040 \text{ (indirect sales taxes)} + \$1,110,125 \text{ (CBT)} = \$6,468,400$$

Thus, the alternative approach would result in an annual benefit estimate

³⁷ As noted in the preceding section, we recommend that direct sales tax revenues not be included in the impacts, as they likely double count sales taxes remitted indirectly by the suppliers from whom contractors purchase material. That is, all applicable sales tax revenues associated with the one-time spending are captured in the calculation of the indirect amount.

approximately \$2 million (about 23%) lower than in the current model. The model approach in use at the time would grow benefits at an annual rate of 3% (effectively assuming a 3% real growth rate) and then discount the results to net present value at a 6% rate over 20 years. In the original analysis, this resulted in total estimated benefits of \$123 million (not including one-time benefits, which were de minimis in this case - \$255,426) and, based on the total award of \$6.92 million, a benefit-cost ratio of nearly 18. Under these same growth and discounting assumptions, the alternative approach would result in estimated benefits of \$94.2 million and a benefit cost ratio of 13. If the current parameters of 2.25% annual growth and a 15-year period of benefit calculation are applied, estimated benefits would be \$72 million and the benefit-cost ratio would be 10.

Clower Health

This project for a Medicare plan provider in Hudson County was approved for a Grow NJ award of \$6,256,500 over ten years. The project was projected to create 62 new jobs and retain 102 existing jobs in the state, with an average salary for all jobs of \$80,100 and a capital investment of \$720,000.

The estimated benefits calculated under the original approach and the recommended revised approach are as follows:

Tax Revenue Benefits	Original Approach	Revised Approach
Ongoing (Annual)		
Indirect Sales (3.5% or 7%)	\$5,550,661	\$1,515,791
Direct Income (@ 4%)	\$495,713	\$495,713
Indirect Income (@ 4%)	\$498,836	\$687,586
CBT (9%)	-	-
Total Ongoing (Annual)	\$6,545,210	\$2,699,090
One-Time		
Direct Sales	\$25,200	-
Indirect Sales	\$20,130	\$43,702
Direct Income (@ 5%)	\$18,000	\$18,000
Indirect Income (@ 5%) ³⁸	\$5,875	\$7,042
Total One-Time	\$69,205	\$68,744

Ongoing Indirect Sales Tax

Original Approach

The indirect sales taxes estimated to be generated by the project annually were calculated using the county-level multipliers as follows:

1. The direct payroll of \$13.1 million was discounted at 6% for an estimated first year payroll of \$12.4 million.
2. This was multiplied by a county direct effect earnings multiplier of approximately 2.01 to attain a total earnings estimate of \$24,863,735.
3. The total earnings were divided by the county final demand earnings multiplier of .0962 to derive a direct output estimate of approximately \$258.5 million.

³⁸ We recommend that either JLL's more refined tax module used for ongoing income tax benefits or a lower effective income tax rate of 3% be used. Here, we show the 5% rate in order to provide a direct comparison of what the income taxes would be based on the Original and Revised approaches to calculating direct and indirect income. At a 3% rate, estimated taxes on direct income would be \$10,800 and taxes on indirect income would be \$4,225.

4. This estimate was then multiplied by the final demand output multiplier of 1.61 and the direct output subtracted out to derive a n estimate of \$158.6 million in indirect output – the model’s proxy for indirect annual spending.
5. This amount was then multiplied by the effective tax rate of 3.5% to derive the estimated indirect sales tax revenues of \$5.551 million.

Due to the commutation effects described in the preceding section, we suggest that the low county-level final demand earnings multiplier results in an overestimate of indirect sales tax revenues.

Revised Approach

1. Direct payroll of \$12.4 million is divided by the national compensation-to-output ratio for the industry of approximately 0.263, producing a direct output estimate of \$47.2 million.
2. The state-level final demand output multiplier of approximately 2.3 is then applied and the direct output subtracted from the product to arrive at an estimate of \$61.1 million in indirect output.
3. The retail, wholesale and food service shares of indirect expenditures generated by the industry (approximately 35.4%) are then applied to generate an estimate of \$21.65 million in taxable expenditures.
4. A 7% tax rate is then applied to the estimated indirect taxable sales to arrive at an annual indirect tax estimate of approximately \$1.5 million.

Ongoing Income Tax Revenues

Original Approach

In this example, for purposes of comparison, we use the 4% effective tax rate on income used in the analysis at the time it was conducted. For projects approved since the model revisions were adopted, income-level-specific marginal tax rates would be applied. As such, the income taxes on direct earnings of \$495,713 would not be changed.

For income taxes on indirect earnings, the indirect income was calculated by applying the direct effect earnings multiplier for the county/industry to the direct earnings (payroll):

1. \$12,392,830 (direct earnings) x 2.01 (direct earnings multiplier) - \$12, 392,830 = \$12,470,905 (indirect earnings)
2. \$12,470,905 x 4% = \$498,836 taxes on indirect earnings

Revised Approach

Using the alternative approach, the estimated direct output and state-level final demand earnings multipliers are used to estimate indirect earnings and tax revenues:

1. \$47.2 million (direct output) x .6268 (final demand earnings multiplier) = \$29,582,477 (total earnings)
2. \$29,582,477 (total earnings) - \$12,392,830 (direct earnings) = \$17,189,647 (indirect earnings)
3. \$17,189,647 (indirect earnings) x 4% = \$687,586 taxes on indirect earnings.

One-Time Sales Taxes

Original Approach

Under the current approach, 50% of the construction value of \$720,000 million is assumed to be non-labor spending, and a 7% sales tax rate (or current level) is applied to that portion to derive what are considered *direct* sales taxes:

$$\$720,000 \text{ (Construction Value)} \times 50\% \text{ (non-labor share)} \times 7\% \text{ (tax rate)} = \$25,200$$

Indirect expenditures and sales taxes are then calculated using the county direct output multiplier for construction:

$$\$720,000 \text{ (Construction Value)} \times .4 \text{ (Direct Construction Output Multiplier -1)} \times 7\% \text{ (tax rate)} = \$20,130$$

Thus, total one-time taxes on spending are estimated as \$25,200+\$20,130 = \$45,330

Revised Approach

Under the revised approach, the state final demand output multiplier for the construction industry is used to estimate *indirect* output based on the total construction value. The wholesale/retail share of indirect output generated by construction industry spending is then applied to the indirect output to estimate the *taxable* expenditures. As described earlier in this section, to avoid double counting of expenditures, only sales taxes on the indirect portion of the expenditures are included. The sales tax rate is then applied to this total.

1. \$720,000 (Construction Value) x 1.2454 (State Final Demand Output Multiplier for the Construction Industry-1) x 0.6962 (wholesale/retail share) = \$624,308 (Taxable Spending)
2. \$624,308 (Taxable Indirect Spending) x 7% = \$43,702 (Indirect Sales Tax)

One-Time Income Tax Revenues

Original Approach

Under the original approach, direct income is calculated as 50% of total construction costs, and an effective income tax rate of 5% is applied to this total:

$$\$720,000 \text{ (Construction Cost)} * 50\% * 5\% = \$18,000.$$

Income taxes on indirect income are then calculated by applying the county-level direct effect earnings multiplier (minus one) to the estimated direct earnings (\$360,000), and again applying the 5% effective tax rate.

1. $\$360,000 \text{ (Direct Earnings)} * 0.33 \text{ (County Direct Effect Earnings Multiplier -1)} = \$117,504$
2. $\$117,504 \text{ (Indirect earnings)} * 5\% = \$5,875$

Revised Approach

Under the revised approach, direct income is still calculated as 50% of total construction costs.

$$\$720,000 \text{ (Construction Cost)} * 50\% * 5\% = \$18,000.$$

As noted previously, we recommend that a lower effective tax rate of 3% be used, or that JLL's detailed income tax module be used with the appropriate prevailing wage rate and estimated level of construction employment based on that rate. At a 3% effective rate, direct income taxes would total \$10,800.

Indirect income taxes are then calculated by applying the state-level final demand earnings multiplier to the total construction cost, subtracting out the direct income, and applying the effective income tax rate.

1. $\$720,000 \text{ (Construction Cost)} * 0.6956 \text{ (final demand earnings multiplier)} = \$500,832 \text{ (Total Earnings)}$
2. $\$500,832 \text{ (Total Earnings)} - \$360,000 \text{ (Direct Earnings)} = \$140,832 \text{ (Indirect Earnings)}$
3. $\$140,832 \text{ (Indirect Earnings)} * 5\% = \$7,042 \text{ (Indirect Income Taxes)}$

Again, we recommend that income taxes on indirect earnings also either be calculated at a lower effective rate of 3% (which would result in estimated indirect income taxes of \$4,225 in this case), or that the JLL income tax module be used with estimated employment and per-job earnings calculated as described in the box on page 91.

Total Tax Revenues (Benefits)

Under the original calculation, total annual tax benefits were:

$$\$495,713 \text{ (direct income taxes)} + \$498,836 \text{ (indirect income taxes)} + \$5,550,661 \text{ (indirect sales taxes)} = \$6,545,210$$

Using the alternative approach, with the resulting lower indirect sales tax revenues and higher indirect income tax revenues results in the following benefits:

\$495,713 (direct income taxes) + \$687,586 (indirect income taxes) + \$1,515,791 (indirect sales taxes) = \$2,699,090

Thus, the alternative approach would result in an annual benefit estimate approximately \$3.8 million (about 58%) lower than in the current model. The model approach in use at the time would grow benefits at an annual rate of 3% (effectively assuming a 3% real growth rate) and then discount the results to net present value at a 6% rate over 20 years. In the original analysis, this resulted in total estimated benefits of \$95.4 million (including one-time benefits, which were de minimis in this case - \$69,205) and, based on the total award of \$6.26 million, a benefit-cost ratio of over 15. Under these same growth and discounting assumptions, the alternative approach would result in estimated benefits of \$39.4 million and a benefit cost ratio of 6.3. If the current parameters of 2.25% annual growth and a 15-year period of benefit calculation are applied, estimated benefits would be \$30.1 million and the benefit-cost ratio would be 4.8.

On the cost side of the analysis, as noted previously, we recommend that awards (i.e., costs) be discounted over time in parallel to benefits, resulting in a net present value of costs approximately 26% lower than the undiscounted award. In this case, discounting the award at 6% would result in a net present value of \$4.6 million and thus a benefit-cost ratio of approximately 6.5.

Factor Systems

Factor Systems is a payment management company, classified under the professional, scientific and technical services industry, moving from Hamilton, NJ to Lawrenceville, NJ in Mercer County.

The project was approved for a \$12.9 million Grow NJ award over 10 years. It was projected to create 200 new jobs and retain 228 existing jobs in the state. The project has an estimated capital investment of \$7.3 million.

Tax Revenue Benefits	Original Approach	Revised Approach
Ongoing (Annual)		
Indirect Sales (3.5% or 7%)	\$3,066,567	\$3,017,769
Direct Income (3.1%, based on JLL model)	\$1,193,735	\$1,193,735
Indirect Income (3.1%, based on JLL model)	\$440,369	\$556,019
CBT (9%)	-	-
Total Ongoing (Annual)	\$4,700,671	\$4,767,523
One-Time		
Direct Sales	\$315,000	-
Indirect Sales	\$127,103	\$707,301
Direct Income (@ 5%)	\$112,500	\$112,500
Indirect Income (@ 5%)	\$41,681	\$44,010
Total One-Time	\$596,284	\$863,811

*Indirect Sales Tax***Original Approach**

The indirect sales taxes estimated to be generated by the project annually were calculated using the county-level multipliers as follows:

1. Direct payroll of \$38.5 million was multiplied by a county direct effect earnings multiplier of approximately 1.37 to attain a total earnings estimate of \$52.73 million.
2. The total earnings were divided by the county final demand earnings multiplier of 0.28 to derive a direct output estimate of approximately \$190.8 million
3. This estimate was then multiplied by the final demand output multiplier of 1.46 and the direct output subtracted out to derive an estimate of \$87.6 million in indirect output.
4. This amount was then multiplied by the effective tax rate of 3.5% to derive the estimated indirect sales tax revenues of \$3.07 million.

As in other cases, the low county-level final demand *earnings* multiplier results in

an overestimate of direct output. However, in this case, the *state* final demand *output* multiplier for the industry is significantly larger than that of the county, so that the alternative approach we suggest results in a *higher* estimate of indirect spending than in the original approach.

Revised Approach

1. Direct payroll of \$38.5 million is divided by the national compensation-to-output ratio for the industry of approximately 0.515, producing a direct output estimate of \$74.7 million.
2. The state-level final demand output multiplier of approximately 2.2 is then applied and the direct output subtracted from the product to arrive at an estimate of \$89.2 million in indirect output.
3. The retail, wholesale and food service shares of indirect expenditures generated by the industry (approximately 0.48) are then applied to generate an estimate of \$43.1 million in taxable spending.
4. A 7% tax rate is then applied to the estimated indirect taxable sales to arrive at an annual indirect tax estimate of approximately \$3 million – about the same as under the current approach.

Income Tax Revenues

Original Approach

In this example, based on the model revisions adopted in 2017, income-level-specific marginal tax rates were applied to the estimated salaries for the direct jobs, resulting in an effective income tax rate of approximately 3.1% applied to the direct earnings of \$38.52 million. Unlike the approach used prior to the revisions, this approach does take into account the effect of interstate commutation on income taxes. The 3.1% effective rate is calculated as the estimated income tax based on employee salaries, less a percentage of interstate commutation derived from Census commutation data.

For income taxes on indirect earnings, the indirect income was calculated by applying the direct effect earnings multiplier for the county/industry to the direct earnings (payroll):

1. \$38,520,000 (direct earnings) x 1.37 (direct earnings multiplier) - \$38,520,000 (direct earnings) = \$14,210,028 (indirect earnings)
2. \$14,210,028 x 3.1% = \$440,369 taxes on indirect earnings

Revised Approach

Using the revised approach, the estimated direct output and state-level final demand earnings multipliers are used to estimate indirect earnings and tax revenues:

1. \$74,734,477 (direct output) x .7555 (final demand earnings multiplier) = \$56,461,898 (total earnings)
2. \$56,461,898 (total earnings) - \$38,520,000 (direct earnings) = \$17,941,898 (indirect earnings)
3. \$17,941,898 (indirect earnings) x 3.1% = \$556,019 taxes on indirect earnings.³⁹

One-Time Sales Taxes

Original Approach

Under the current approach, 50% of the construction value of \$4.5 million is assumed to be non-labor spending, and a 7% sales tax rate (or current level) should be applied to that portion to derive what are considered *direct* sales taxes:

$$\$4.5 \text{ million (Construction Value)} \times 50\% \text{ (non-labor share)} \times 7\% \text{ (tax rate)} = \$157,500$$

[Note: In this particular example, there appears to have been an error in the calculation of direct sales taxes, as the 7% rate was applied to the entire Construction Value, resulting in estimated direct sales taxes of \$315,000.]

Indirect expenditures and sales taxes are then calculated using the county direct output multiplier for construction:

$$\$4.5 \text{ million (Construction Value)} \times .4 \text{ (Direct Construction Output Multiplier -1)} \times 7\% \text{ (tax rate)} = \$127,103$$

Thus, total one-time taxes on spending are estimated as \$315,000+\$127,103 = \$442,103

Revised Approach

Under the revised approach, the state final demand output multiplier for the construction industry is used to estimate *indirect* output based on the total construction value. The wholesale/retail share of indirect output generated by construction industry spending is then applied to the indirect output to estimate the *taxable* expenditures. As described earlier in this section, to avoid double counting of expenditures, only sales taxes on the indirect portion of the expenditures are included. The sales tax rate is then applied to this total.

1. \$4.5 million (Construction Value) x 1.2454 (State Final Demand Output Multiplier for the Construction Industry-1) x 0.6962 (wholesale/retail share) = \$3.9 million (Taxable Spending)

³⁹ Here, as in the JLL model and for purposes of comparison, we apply the same 3.1% effective rate calculated for the taxes on direct income to the indirect income as well. However, as described in the methodology proposed on page 91, we recommend that a separate approach be used to derive an estimate of average income for the indirect employment, and that the JLL income tax module then be used to derive an appropriate effective income tax rate to apply to those estimated earnings.

2. $\$3.9$ (Taxable Indirect Spending) \times 7% = $\$707,301$ (Indirect Sales Tax)

One-Time Income Tax Revenues

Original Approach

Under the original approach, direct income is calculated as 50% of total construction costs, and an effective income tax rate of 5% is applied to this total:

$$\$4.5 \text{ million (Construction Cost)} * 50\% * 5\% = \$112,500.$$

Income taxes on indirect income are then calculated by applying the county-level direct effect earnings multiplier (minus one) to the estimated direct earnings ($\$2.25$ million), and again applying the 5% effective tax rate.

1. $\$2.25$ million (Direct Earnings) \times 0.37 (County Direct Effect Earnings Multiplier -1) = $\$833,625$
2. $\$833,625$ (Indirect earnings) \times 5% = $\$41,681$

Revised Approach

Under the revised approach, direct income is still calculated as 50% of total construction costs.

$$\$4.5 \text{ million (Construction Cost)} * 50\% * 5\% = \$112,500.$$

As noted previously, we recommend that a lower effective tax rate of 3% be used, or that JLL's detailed income tax module be used with the appropriate prevailing wage rate and estimated level of construction employment based on that rate. At a 3% effective rate, direct income taxes would total $\$67,500$.

Indirect income taxes are then calculated by applying the state-level final demand earnings multiplier to the total construction cost, subtracting out the direct income, and applying the effective income tax rate.

1. $\$4.5$ million (Construction Cost) \times 0.6956 (final demand earnings multiplier) = $\$3.13$ million (Total Earnings)
2. $\$3.13$ million (Total Earnings) - $\$2.25$ million (Direct Earnings) = $\$880,200$ (Indirect Earnings)
3. $\$880,200$ (Indirect Earnings) \times 5% = $\$44,010$ (Indirect Income Taxes)

Again, we recommend that income taxes on indirect earnings also either be calculated at a lower effective rate of 3% (which would result in estimated indirect income taxes of $\$26,406$ in this case), or that the JLL income tax module be used with estimated employment and per-job earnings calculated as described in the box on page 91.

Total Tax Revenues (Benefits)

Under the original calculation, total annual tax benefits were:

\$1,193,735 (direct income taxes) + \$440,369 (indirect income taxes) + \$3,066,567 (indirect sales taxes) = \$4,700,671

Using the alternative approach, with the resulting higher indirect sales tax revenues and higher indirect income tax revenues results in the following benefits:

\$1,193,735 (direct income taxes) + \$556,019 (indirect income taxes) + \$3,017,769 (indirect sales taxes) = \$4,767,523

Thus, the alternative approach would result in an annual benefit estimate approximately \$66,852 higher than in the current model. The model approach in use at the time would grow benefits at an annual rate of 2.25% (effectively assuming a 2.25% real growth rate) and then discount the results to net present value at a 6% rate over 15 years. In the original analysis, this resulted in total estimated benefits of \$52.9 million (including one-time benefits) and, based on the total award of \$12.9 million, a benefit-cost ratio of 4.1. Under these same growth and discounting assumptions, the alternative approach would result in estimated benefits of \$53.7 million and a benefit cost ratio of 4.2.

On the cost side of the analysis, as noted previously, we recommend that awards (i.e., costs) be discounted over time in parallel to benefits, resulting in a net present value of costs approximately 26% lower than the undiscounted award. In this case, discounting the award at 6% over 10 years would result in a net present value of \$9.5 million and thus a benefit-cost ratio of approximately 5.7.

APPENDIX VI: ALTERNATIVE BENEFIT-COST MODEL PARAMETERS

Appendix VI is in digital form and was previously provided to JLL. It is intended primarily to serve as a reference document as any of the proposed modeling changes are adopted. It contains a set of spreadsheets providing the county-level RIMS II multipliers used in some Grow NJ benefit-cost analyses, as well as examples of the state-level RIMS II multipliers that would be used in the alternative modeling approaches described above. The spreadsheets also provide estimates on a county/industry basis of the difference in estimated annual sales and income tax benefits per dollar of income from Grow NJ jobs when calculated using the current approach and when using the proposed alternatives.

As noted in Appendix V, the state-level multiplier examples shown in the spreadsheets are based on older RIMS II multipliers and are provided only for illustrative purposes, though the state-level inter-industry relationships are unlikely to have changed significantly, and the most potentially impactful modeling changes rely not on RIMS II state multipliers but rather on national data (compensation-to-output ratios). In addition, the county-level multipliers used in the JLL model have been updated since the model's inception, and those shown in the spreadsheet may not correspond to those cited in the examples presented in Appendix V.

APPENDIX VII: INDUSTRY OPERATING SURPLUS TO COMPENSATION RATIOS

Ratio of Gross Operating Surplus to Compensation by Industry New Jersey, 2015

Industry	Gross Operating Surplus	Compens- -ation	Ratio: Gross Operating Surplus/ Compensation
All industry total	204,464	308,636	0.662
Private industries	195,898	253,500	0.773
Agriculture, forestry, fishing, and hunting	412	389	1.059
Farms	304	247	1.231
Forestry, fishing, and related activities	108	142	0.761
Mining	162	131	1.237
Oil and gas extraction	10	7	1.429
Mining, except oil and gas	155	97	1.598
Support activities for mining	-2	28	-0.071
Utilities	5,583	2,188	2.552
Construction	9,557	12,509	0.764
Manufacturing	18,533	22,985	0.806
Durable goods manufacturing	3,456	10,171	0.340
Wood products manufacturing	11	125	0.088
Nonmetallic mineral products manufacturing	382	736	0.519
Primary metals manufacturing	46	390	0.118
Fabricated metal products	377	1,459	0.258
Machinery manufacturing	231	1,224	0.189
Computer and electronic products manufacturing	1,053	2,600	0.405
Electrical equipment, appliance, and components manufacturing	375	634	0.591
Motor vehicles, bodies and trailers, and parts manufacturing	(D)	(D)	-
Other transportation equipment manufacturing	(D)	(D)	-
Furniture and related products manufacturing	81	329	0.246
Miscellaneous manufacturing	776	2,269	0.342
Nondurable goods manufacturing	15,076	12,814	1.177
Food and beverage and tobacco products manufacturing	1,776	2,169	0.819
Textile mills and textile product mills	94	252	0.373
Apparel and leather and allied products manufacturing	5	270	0.019
Paper products manufacturing	133	1,023	0.130
Printing and related support activities	382	959	0.398
Petroleum and coal products manufacturing	2,781	519	5.358
Chemical products manufacturing	9,487	6,605	1.436
Plastics and rubber products manufacturing	418	1,017	0.411
Wholesale trade	16,130	22,063	0.731
Retail trade	8,302	18,381	0.452
Transportation and warehousing	6,746	10,750	0.628
Air transportation	1,662	1,734	0.958
Rail transportation	(D)	(D)	-
Water transportation	351	151	2.325
Truck transportation	1,625	2,412	0.674
Transit and ground passenger transportation	785	982	0.799
Pipeline transportation	16	62	0.258
Other transportation and support activities	(D)	(D)	-
Warehousing and storage	579	1,788	0.324
Information	14,137	9,240	1.530
Publishing industries, except Internet (includes software)	3,462	2,908	1.191
Motion picture and sound recording industries	981	473	2.074
Broadcasting and telecommunications	7,930	4,442	1.785
Data processing, internet publishing, and other information services	1,764	1,416	1.246
Finance, insurance, real estate, rental, and leasing	81,563	30,863	2.643

Finance and insurance	8,584	26,639	0.322
Federal Reserve banks, credit intermediation, and related services	(D)	(D)	-
Securities, commodity contracts, and investments	208	8,615	0.024
Insurance carriers and related activities	4,850	11,174	0.434
Funds, trusts, and other financial vehicles	(D)	(D)	-
Real estate and rental and leasing	72,979	4,224	17.277
Real estate	68,540	2,951	23.226
Rental and leasing services and lessors of intangible assets	4,439	1,272	3.490
Professional and business services	20,777	64,195	0.324
Professional, scientific, and technical services	12,294	36,350	0.338
Legal services	2,378	4,041	0.588
Computer systems design and related services	1,224	9,133	0.134
Miscellaneous professional, scientific, and technical services	8,692	23,176	0.375
Management of companies and enterprises	2,091	14,473	0.144
Administrative and waste management services	6,392	13,371	0.478
Administrative and support services	5,958	12,388	0.481
Waste management and remediation services	434	984	0.441
Educational services, health care, and social assistance	6,805	39,810	0.171
Educational services	347	5,158	0.067
Health care and social assistance	6,458	34,652	0.186
Ambulatory health care services	4,945	16,200	0.305
Hospitals and nursing and residential care facilities	1,121	15,667	0.072
Social assistance	391	2,784	0.140
Arts, entertainment, recreation, accommodation, and food services	4,600	11,544	0.398
Arts, entertainment, and recreation	1,400	2,744	0.510
Performing arts, spectator sports, museums, and related activities	827	1,259	0.657
Amusements, gambling, and recreation industries	574	1,485	0.387
Accommodation and food services	3,200	8,800	0.364
Accommodation	1,510	2,376	0.636
Food services and drinking places	1,689	6,423	0.263
Other services, except government	2,590	8,452	0.306
Government	8,566	55,136	0.155
Federal civilian	1,183	5,582	0.212
Federal military	1,233	1,174	1.050
State and local	6,150	48,380	0.127
Addenda:			
Natural resources and mining	574	520	1.104
Trade	24,432	40,444	0.604
Transportation and utilities	12,330	12,939	0.953
Private goods-producing industries	28,663	36,014	0.796
Private services-providing industries	167,235	217,486	0.769

Legend / Footnotes:

Note-- NAICS Industry detail is based on the 2007 North American Industry Classification System (NAICS).

(D) Not shown in order to avoid the disclosure of confidential information; estimates are included in higher level totals.

Last updated: November 21, 2017 -- revised statistics for 2014-2016.

Source: U.S. Bureau of Economic Analysis.



MEMORANDUM

TO: Members of the Authority

FROM: Tim Sullivan
Chief Executive Officer

DATE: August 10, 2018

RE: 2017 Comprehensive Annual Report

Request

The Members of the Board are requested to approve the Authority's comprehensive annual report for 2017, as required under Executive Order No. 37 (2006).

Background

Each year since inception, the Authority designs and distributes our Annual Report of accomplishments and activities to support economic development in New Jersey. Beginning in 2006, in order to meet the requirements of Executive Order No. 37 (2006), our Annual Report is combined with our audited financial statements and serves as our comprehensive annual report.

The audited financial statements for the year ending December 31, 2017 were prepared pursuant to Generally Accepted Accounting Principles for a government entity. I am also pleased to inform the Board that the independent accounting firm of Ernst & Young has issued an unmodified opinion with regard to the 2017 financial statements.

Certification accompanying the financial statements has been executed by the Controller and me, the CEO, that the EDA has followed its standards, procedures and internal controls.

On April 10, 2018, per its Charter, as well as section 9 of Executive Order 122 (2004), the Audit Committee reviewed the 2017 audited financial statements, as well as the narrative portion of the Annual Report, and considered the relevancy, accuracy and completeness of the information presented. Also pursuant to Executive Order 122 (2004), the independent auditor met with the Audit Committee, where it was reported that the financial audit resulted in no negative findings or internal control deficiencies.

Subsequent to the meetings and review, the Committee recommended that the comprehensive Annual Report be presented to the Board for approval.

Under Executive Order No. 37 (2006), the Authority is required to obtain approval of a comprehensive annual report from its Board of Directors. Upon approval, this report will be submitted to the Authorities' Unit, posted to the EDA website, and transmitted electronically to members of the Legislature.

Recommendation:

Authority staff has prepared the comprehensive annual report for 2017 as required under Executive Order No. 37 (2006) and recommends Members' approval in order to submit the report to the Governor's Authorities' Unit, post to the Authority's website, and transmit to the Legislature.

A handwritten signature in black ink, appearing to be "T. A.", is enclosed in a thin black rectangular border. Below the signature is a solid horizontal line.



NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

ANNUAL REPORT 2017



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Message from Chairman

Laurence M. Downes | NJEDA

New Jersey's geographic location, abundance of talent, educational institutions and cultural diversity all fuel the growth of the State's economy. Governor Phil Murphy's vision for a stronger and fairer New Jersey will leverage these assets and unlock the State's full potential to ensure our economy grows and benefits every resident, community and business.

I was honored to be named Chairman of the Board by Governor Murphy in February 2018 and believe it is an opportune time to take on this exciting role. As a Board member for more than eight years, I have seen firsthand how the New Jersey Economic Development Authority (EDA) can stimulate community investment and expand employment opportunities across the state.

Under the leadership of Governor Murphy and new Chief Executive Officer Tim Sullivan, the EDA is reenergizing and refocusing its efforts on key strategies to strengthen and create a sustainable path forward for New Jersey's economic success.

The 2017 annual report provides examples that illustrate how the EDA's programs can positively impact New Jersey through a wide range of projects. The report highlights a successful effort to quadruple space for startups and entrepreneurs at a co-working space in Asbury Park. And, it demonstrates how training and mentoring enabled a woman-owned enterprise in Garwood to evolve into a thriving community art space.

I am pleased to share the results from 2017, and excited as we continue our work this year. Together with my esteemed fellow Board members, the EDA's talented and dedicated staff, and a range of public and private partners, we will work to drive job creation and business growth to achieve a stronger and fairer New Jersey.



Laurence M. Downes

EDA Board Chairman

Message from CEO

Tim Sullivan | NJEDA

Returning to my home state of New Jersey to lead the New Jersey Economic Development Authority is an honor. I am thankful to the Board for approving my appointment in February and grateful to the enthusiastic and committed staff of the Authority who are focused every day on growing the State's economy. With Governor Murphy's clear vision of building a stronger and fairer economy, I am excited to join the Authority at this pivotal time.

In concert with our new Board Chairman Larry Downes, our vision for the Authority moving forward is one that aims to make New Jersey a national model for inclusive and sustainable economic development. Accordingly, the Authority is focused on several vital areas as we embark on this new path:

- Reclaiming New Jersey's position as the center of innovation and invention;
- Accelerating the growth of clean energy jobs and businesses;
- Strengthening collaboration between academia and industry;
- Leveraging existing assets to help our cities become stronger engines of economic opportunity;
- Creating good jobs for New Jersey residents by unlocking the full potential of our human capital; and,
- Ensuring tax incentive and other programs align with these priorities and maximize the state's return on investment.

These strategies build on the work of the Authority in 2017 and over its four decades of operation. As highlighted in the pages that follow, the projects supported last year go beyond bricks and mortar; they showcase that investments in economic development can serve to revitalize neighborhoods, improve the quality of life of residents, and create new opportunities for entrepreneurship and innovation.

As we continue to work closely with the Governor's Office, other State agencies, and a wide array of stakeholders, the Authority is committed to identifying new and innovative ways to enhance New Jersey's long-term competitiveness and ensure we are best positioned to thrive in the 21st century economy.



Tim Sullivan

EDA CEO

EDA Mission

The New Jersey Economic Development Authority (EDA) is an independent State agency that finances *small and mid-sized businesses*, administers tax incentives to *retain and grow jobs*, revitalizes communities through redevelopment initiatives, and *supports entrepreneurial development* by providing access to training and mentoring programs.

EDA Strategy

The EDA creates public/private partnerships to bridge financing gaps and to *increase access to capital* by the State's business community with an emphasis on small and mid-size businesses and not-for-profit organizations. It supports *entrepreneurial development* through access to training and mentoring programs. It undertakes real estate development projects important to the *State's economic growth* that will create new jobs and *business opportunities* and support community development and revitalization.

2017 Activity By the Numbers

Lending Programs



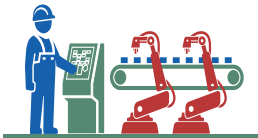
158
Projects
Assisted



\$576.7
Million
EDA
Assistance



\$765
Million
Estimated
Capital
Investment



1,368
Estimated
Permanent Jobs



1,848
Estimated
Construction Jobs



5,174
Retained Jobs
Supported

Tax Incentive Programs



48
Projects
Assisted



\$1.3
Billion
EDA
Assistance



\$3.9
Billion
Estimated
capital
investment



22,149
Estimated
Permanent Jobs



17,065
Estimated
Construction Jobs



6,155
Retained "At-
Risk" Jobs



Growing Innovation

“CCIT has already provided us with amazing support for developing our laboratory and business, including referrals to financial consultants and top-notch life science vendors.”

- *Genomic Prediction Co-Founder,
Dr. Nathan Treff*



Cowerks

Asbury Park | Monmouth County



WWW.COWERKS.COM

Cowerks at the Lakehouse
619 Lake Ave. 3rd Floor Asbury
Park, NJ 07712

Cowerks at Junction Hall
21 Main St Asbury Park, NJ
07712



@COWERKS

Driver

While Bret Morgan started a music club in Montclair shortly after college, frequent trips to Asbury Park led to his ultimate relocation to the seaside city. Morgan went on to partner with local music promoter, Danny Croak, first establishing BandsOnABudget.com, an online company that prints custom merchandise for all types of businesses and brands, with a large majority of its customers being up-and-coming musicians. An article sent to Morgan by his father about a Philadelphia co-working space led to Morgan and Croak teaming up with another local entrepreneur, Gregory Edgerton, to establish Cowerks, which initially operated out of extra space at the Bands on a Budget office on Mattison Avenue in Asbury Park.

While the co-working space concept was being fully embraced in large cities throughout the United States, Cowerks was the first to open at the Jersey Shore. Since 2010, it has been providing Monmouth County entrepreneurs and business professionals with office, meeting, community, and event space. By attracting local technical talent, including entrepre-

“
What we are building is bigger than any one individual or business and that is evident in the community that has grown in and around Cowerks since 2010.

-Cowerks Co-Founder, Bret Morgan

”

Growing Innovation
Coworks Asbury Park | Monmouth County



neurs and startups, building meetup groups, and producing events, Coworks membership has grown to a community of over 2,500. As membership grew, it became clear that Coworks needed more space.

Solution

In 2013, Coworks first expanded into a 1,600-square-foot building on Lake Avenue. Thanks to a combination of year-round residents and summertime visitors looking for work space, a need for additional room prompted Coworks to look to the EDA for financing assistance. In 2016 and 2017, Coworks closed on two direct loans from the EDA totaling \$240,000, which were used to expand the existing Lake Avenue office and establish a second facility on Main Street in Asbury Park.

Morgan said, “Funding provided through the loan helped us quadruple our available space for startups and entrepreneurs to run their business. With the expanded facility also came opportunities for us to hold even more classes and workshops, enabling us to become the go-to resource for technology and entrepreneurial activities in the area.”

Results

Today, workers can set up shop for the day or month at Coworks at the Lakehouse (619 Lake Ave.) or Coworks at Junction Hall (21 Main St.). Coworks at the Lakehouse offers daily, part-time and full-time common area desks, private office and event space, and a conference room that can be booked on demand. Coworks at Junction Hall is adjacent to the Asbury Park Train Station and features eight private offices, a café, event space and community bike shop. The price ranges from \$25 a day for a desk to \$649 a month for a private office. Conference and meeting rooms are available starting at \$30 an hour and are available 24/7.

According to Morgan, “What we are building is bigger than any one individual or business and that is evident in the community that has grown in and around Coworks since 2010. We were in Asbury Park when it just started to make its comeback and now since that revitalization has arrived, you’re really starting to see this culture start to transcend our space and community – that’s something we’re extremely humbled by and proud of.”



<p>PROJECT: Coworks</p>	<p>ESTIMATED JOBS: Four employees / over 2,500 members</p>
<p>LOCATION: Asbury Park / Monmouth County</p>	<p>ESTIMATED INVESTMENT: Self-funded</p>
<p>INDUSTRY/TYPE: Co-working space and other services</p>	<p>EDA ASSISTANCE: Two direct loans totaling \$240,000</p>



Growing Innovation

Coworks Asbury Park | Monmouth County



Coworks is heavily involved in the Jersey Shore's technology scene, regularly hosting events and workshops focused on startups, software development, internet marketing, business development and legal/accounting advice for small businesses. Coworks also has co-produced Asbury Agile, the Jersey Shore Tech Meetup's largest gathering of web and mobile professionals, startup entrepreneurs, designers, developers, small business owners, and tech enthusiasts. More recently, Coworks started hosting two new meetups, Jersey Shore Women in Tech was started by local professionals as a way to support, educate, mentor and develop a network for women in the Information Technology industry; Blockchain JST was started as a way to support the growing local Bitcoin, Ethereum, and Cryptocurrency community.

Coworks has also established strategic partnerships with Rutgers University, NJ Makerspace Association, NJ Tech Meetup and accounting firm WithumSmith+Brown to expand the scope of industries with which member companies have access

to resources and helpful information. Coworks community impact also extends to mentoring local students. This includes computer coding and STEM enrichment workshops, and a partnership with The College of Robotics (Portland, OR) to bring robotics curriculum to students within Monmouth County.

Morgan notes the particular significance of Coworks' expansion to Main Street, which was a collaboration with Second Life Bikes, a bike shop with a community-minded mission, including a "youth earn-a-bike program" providing kids with the opportunity to work with adult mentors to repair bikes that they then can take home. Morgan hopes that by establishing a presence on Main Street, they can help bring the kind of redevelopment the east side has experienced to the west side, providing a connection to the central business district.

Morgan said, "Whether you consider yourself a musician or artist, a mobile app developer, a startup, a maker, or any combination of the aforementioned, Asbury Park is an incredible melting pot for creativity and talent." ■

Growing Innovation

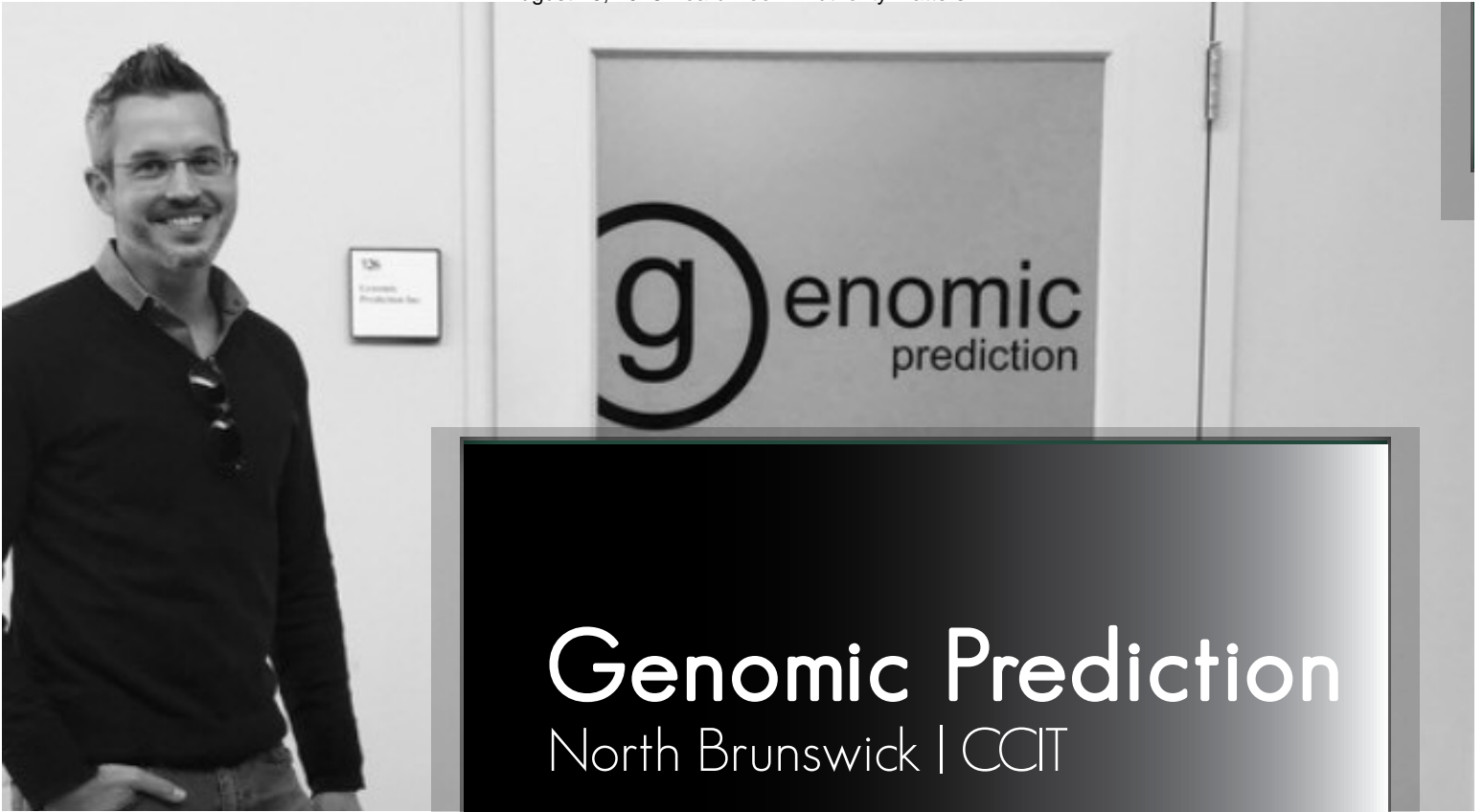
Coworks Asbury Park | Monmouth County



“

Funding provided through the loan helped us quadruple our available space for startups and entrepreneurs to run their business. With the expanded facility also came opportunities for us to hold even more classes and workshops, enabling us to become the go-to resource for technology and entrepreneurial activities in the area.”

-Coworks Co-Founder, Bret Morgan



Genomic Prediction

North Brunswick | CCIT



WWW.GENOMICPREDICTION.COM

Genomic Prediction
675 U.S. Highway 1, Block-
buster Suite
North Brunswick, NJ 08902

Driver

When Dr. Nathan Treff co-founded Genomic Prediction in early 2017, his goal was to help couples undergoing fertility treatments test their embryos for chromosomal abnormalities and genetic disorders. Along with Dr. Treff, who serves as Chief Science Officer, the company was co-founded by Dr. Laurent Christian Asker Melchior Tellier, serving as Chief Executive and Technology Officer, and Dr. Stephen Hsu, Chairman of the Board. All three have an extensive background teaching genomics in universities around the world.

Both Dr. Treff and Dr. Tellier are Rutgers adjunct faculty and industrial affiliates, making New Jersey a natural choice for the location of Genomic Prediction. The company's other requirements included wet lab space, a multitude of amenities, and easy access to both New York and Philadelphia.



The CCIT is located in a hotspot for genomic research and as a result it has been very easy to find highly talented individuals in our field.

- Genomic Prediction Co-Founder,
Dr. Nathan Treff



Solution

Through word of mouth from industry leaders, Dr. Treff learned of the EDA's

Growing Innovation

Genomic Prediction North Brunswick | CCIT



Commercialization Center for Innovative Technologies (CCIT) in North Brunswick. The company ultimately moved to the CCIT in June 2017.

The EDA opened CCIT in 2002 as part of its 50-acre Technology Centre of New Jersey campus in North Brunswick. Originally offering 20,000 square feet of space, CCIT was expanded in 2005 to 46,000 square feet, with the addition of 10 wet labs, office space and flexible conference facilities. CCIT provides access to a wide array of resources and educational and networking opportunities and is considered to be one of the most significant incubation facilities in the nation dedicated to life sciences and biotechnology.

Results

Since its move to CCIT last June, Genomic Prediction has expanded four times. To date, the rapidly growing company has raised \$3.2 million of capital, and has hired an additional eight employees and brought on three university interns. The company has eight other applicants in its recruiting pipeline. According to Dr. Treff, "The CCIT is located in a hotspot for genomic research and as a result it has been very easy to find highly talented individuals in our field."

The company, which intends to make its CCIT lab the core of its national and international activities focused on advanced genetic testing for In Vitro Fertilization (IVF), has developed a variation of a current test known as pre-implantation genomic screening (PGS), which screens embryos before implantation into the mother. Dr. Treff cites the CCIT as critical to the company's ability to develop and release to market a PGS technological innovation called GSEQ, which assesses embryos fertilized in a lab and determines from their DNA which embryos are normal and healthy, screening out diseases and improving newborn health by identifying which embryos are genetically normal - achieving this task with higher sensitivity and accuracy, lower cost, and vastly easier laboratory protocol than existing tests. Genomic Prediction is also soon to release a proprietary, entirely novel technology named EPGT, which allows testing of an expanded set of genetic variants compared to standard PGS, including a wider variety of chromosomal conditions, single and polygenic gene diseases, and other abnormalities.

Dr. Treff notes that CCIT has helped his company with the acquisition of free computation from Google and Amazon, the reception and installation



CCIT IMPACT

TENANTS:
21

GRADUATES:
46

WET LABS:
27 - the most of any incubator in the State

TENANT-UNIVERSITY COLLABORATIONS:
159, including Rutgers, Princeton, Stevens Institute of Technology and NJIT.

2017 EDUCATIONAL AND NETWORKING EVENTS:
14 Community and tenant-focused events.



Growing Innovation Genomic Prediction North Brunswick | CCIT



“

Some of our key personnel have developed relationships in New Jersey, including Rutgers University; that made the decision to reside in New Jersey very practical.

- Genomic Prediction Co-Founder, Dr. Nathan Treff

”

of sequencing machines and embryo biopsy shipments, the installation of backup power generators and custom-hardened internet infrastructure, and with filing of copyright claims, IP claims, and complex medical product insurance policies. The company has also been able to further strengthen its ties with Rutgers, hosting classes of young science students focused on the Genomic Prediction coding skill battery.

“CCIT has already provided us with amazing support for developing our laboratory and business, includ-

ing referrals to financial consultants and top-notch life science vendors. In addition, the plug-and-play laboratory space and administrative support has made the initial setup extremely convenient and smooth. The NJEDA also brought the New Jersey Angel Investor tax credit program to our attention, giving us an opportunity to significantly improve our investor relations moving forward. Due to this incredible support, we have reached important milestones ahead of schedule.” ■

Growing Innovation Genomic Prediction North Brunswick | CCIT



“ The NJEDA also brought the New Jersey Angel Investor tax credit program to our attention, giving us an opportunity to significantly improve our investor relations moving forward. Due to this incredible support, we have reached important milestones ahead of schedule.”

”

- Genomic Prediction Co-Founder,
Dr. Nathan Treff



Small Business Support

“The funding provided by TD Bank and the EDA has been pivotal to our efforts to bring our manufacturing in-house, affording us greater control over production and creating skilled jobs here in New Jersey.”

- ICF Owner, David Ronner



WWW.SOUTHAVENUEARTS.COM

South Avenue Arts
221 South Avenue, Garwood
NJ, 07027



@SOUTHAVENUEARTS
@SOUTHAVENUEARTSGALLERY

Driver

When Sharon Reed set out to open an art studio in the heart of New Jersey, she was armed with a vision of a community-oriented location where she could offer art lessons, studio rentals and exhibitions and share her love of the arts with her hometown of Garwood. What she lacked was a detailed plan for operating a sustainable business.

Reed, an award-winning oil painter and the daughter of an art teacher, knew she needed assistance to turn her vision into a reality. That's when she learned about "Entrepreneurship 101," a six-week workshop for small business startups available through a partnership between the New Jersey Economic Development Authority (EDA) and UCEDC, a nonprofit economic development corporation.

Solution

In the fall of 2015, Reed enrolled in Entrepreneurship 101. The workshop guides entrepreneurs and business owners through the early stages of the entrepreneurial process, with the goal of provid-



We love our town and Garwood is the perfect location for South Avenue Arts.

We are centrally located, close to public transportation, and are excited to be offering a community for creative and talented kids and artists.

- South Avenue Arts Founder and Owner, Sharon Reed



Small Business Support

South Avenue Arts Garwood | Union County



ing the tools needed to give a business idea the best possible chance of survival. Entrepreneurship 101 participants are guided through a real-world assessment of their business idea and market feasibility, as well as their own ability to handle the demands of business ownership. The steps to opening a business in New Jersey, choosing a legal structure, developing a business plan and establishing cost, revenue and cash flow projections are addressed in a variety of interactive exercises.

The EDA has a strategic partnership with UCEDC to increase the array of training and technical assistance services available to entrepreneurs and small businesses in the State, extending its support beyond financing.

Entrepreneurship 101 is one of many resources, including additional training sessions and a suite of loan products, available through UCEDC. Since UCEDC’s inception more than 40 years ago, 11,000 small business owners and fledgling entrepreneurs have participated in UCEDC’s various training programs and UCEDC has also provided \$30 million

to small businesses throughout New Jersey, helping to create and retain more than 6,000 jobs. In 2017, UCEDC approved 61 small business loans totaling \$9.6 million. Minority-owned businesses accounted for 54 percent of those loans, while women-owned operations represented 69 percent.

“The Entrepreneurship 101 workshop and ongoing coaching with my UCEDC business mentor have really helped me turn my vision into a viable business. It’s very rewarding to be able to offer budding artists a collaborative, supportive environment, and to see the community so whole-heartedly embracing South Avenue Arts,” Reed said.

Results

Upon completing the Entrepreneurship 101 class, Reed hit the ground running with her business plan. She set her sights on the former Veterans of Foreign Wars (VFW) Hall in Garwood and transformed it into a 3,000-square-foot creative, cooperative community art space.



UCEDC IMPACT

LENDING:
 61 loans
 \$9.6 million approved
 54% Minority-owned
 69% Women-owned
 387 Jobs created/retained

GOVERNMENT CONTRACTING:
 2,600 Total Awards
 \$150 Million awarded

43% Disadvantaged-owned
 10% Women-owned
 2,700 Jobs created/retained

TRAINING:
 138 Workshops
 1,748 Attendees
 638 Clients mentored
 50% Minority-owned
 65% Women-owned

Small Business Support

South Avenue Arts Garwood | Union County



When the doors opened in September 2016, the VFW Hall was barely recognizable. In its place stood a space that included two semi-private studios, a large shared co-working studio for artists looking to rent space, and a gallery selling local art, jewelry, and gifts. As a tribute to its original incantation, the VFW Hall's original fixtures and 14-foot wood and stained-glass bar were retained, which Reed kept as the focal point of the entryway.

By the time EDA and UCEDC representatives visited South Avenue Arts in May 2017, Reed had hired four additional instructors. She has hired four more since that time. The studio has expanded its offerings to include classes in anime and manga. South Avenue Arts offers something for art lovers of all ages, including half-day summer camp for artists as young as first grade, a variety of beginning and intermediate classes for adults, and rooms for kids'

birthday celebrations, and group painting parties. In yet another example of the community-oriented atmosphere South Avenue Arts offers, Girl Scouts, Brownies, and Daisies can earn art badge with their troop by painting a floral still life or another project of their choice.

"We'll continue to offer fun and instructional art classes for all ages and will also begin holding artist workshops this fall," she said. "We are looking for talented artists and teachers from around the country to visit New Jersey for a weekend and offer an intensive one- or two-day workshop."

Plans also continue for more group exhibits in the South Avenue Arts Gallery, and Reed is always look for unique artists interested in selling handmade items in the studio's boutique. ■

Small Business Support

South Avenue Arts Garwood | Union County



“

The Entrepreneurship 101 workshop and ongoing coaching with my UCEDC business mentor have really helped me turn my vision into a viable business. It's very rewarding to be able to offer budding artists a collaborative, supportive environment, and to see the community so whole-heartedly embracing South Avenue Arts.

”

- South Avenue Arts Founder and Owner, Sharon Reed



ICF Mercantile

Warren | Somerset County



WWW.ICFMERCANTILE.COM

ICF Mercantile
 150 Mt. Bethel Road
 Building 2
 Warren, NJ 07059



@ICFMERCANTILE-LLC

Driver

For over 30 years, ICF Mercantile (ICF) has operated as a distributor of fiber, yarn and fabrics for a broad range of industrial, textile and apparel challenges, including flame-retardant fiber and yarn, medical devices, and heat insulating materials for the aerospace industry.

“Innovation often has a ripple effect that can radically change how a product is manufactured,” said David Ronner, owner of ICF Mercantile. “Keeping abreast of advances in technology can seem daunting if you have to do it yourself. That’s where ICF can be a huge resource for anyone who uses technical fibers and yarns in their products.”

For years, ICF’s inventory was manufactured overseas. Looking to shift operations to its home state of New Jersey, the business turned to the EDA for support.

Solution

Through the EDA’s Premier Lender Program, a \$600,000 loan from TD Bank, which



The funding provided by TD Bank and the EDA has been pivotal to our efforts to bring our manufacturing in-house, affording us greater control over production and creating skilled jobs here in New Jersey. Our new capabilities will enable us to be more efficient and more responsive to our clients.

- ICF Owner, David Ronner



Small Business Support

ICF Mercantile Warren | Somerset County

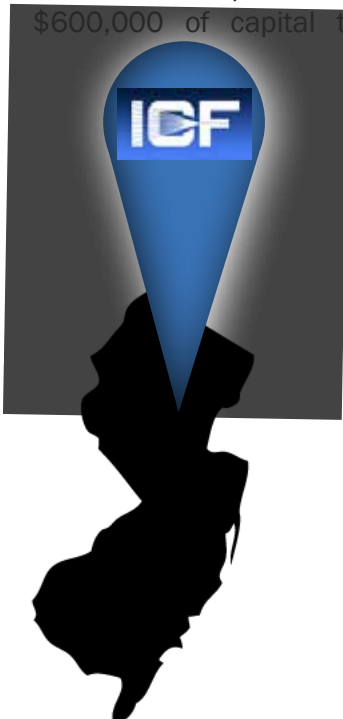


included a 50 percent EDA participation, enabled ICF to shift its manufacturing operations from a foreign facility to the United States. Ronner noted that the loan allowed for the acquisition of volume production equipment, enabling ICF to manufacture its products at its new, 17,660-square-foot facility in Warren.

“The funding provided by TD Bank and the EDA has been pivotal to our efforts to bring our manufacturing in-house, affording us greater control over production and creating skilled jobs here in New Jersey. Our new capabilities will enable us to be more efficient and more responsive to our clients.”

The EDA partners with Premier Lender banks to provide small businesses with low cost financing that includes EDA loan participations and/or guarantees, and line of credit guarantees. Businesses can use this financing for fixed assets or term working capital. The EDA’s ability to provide guarantees or participations for a portion of these loans helps to reduce risk for lenders, and enhance access to capital for small businesses.

ICF ownership also invested an additional \$600,000 of capital to support its expansion.



Results

ICF spent 2017 building up its manufacturing operations, having received its Certificate of Occupancy for the new Warren location early in the year. Since then, ICF has brought all of its manufacturing in-house and continues to grow and expand. As a result, ICF expects to more than double its staff of eight in the coming years.

“Within the next year, we will continue to expand our capabilities, capacity, and vertical integration,” Ronner said. “This, of course, will require additional manufacturing space, employees, and other peripheral resources.”

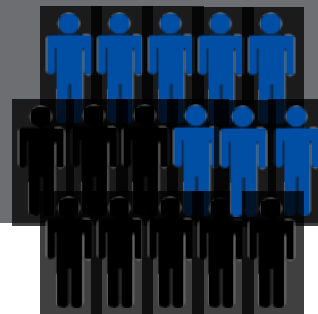
PROJECT:
ICF Mercantile

LOCATION:
Warren | /Somerset
County

INDUSTRY/TYPE:
Manufacturer and
distributor of specialty
fiber, yarn and fabrics

ESTIMATED JOBS:
Eight, with plans to
double its staff in the
coming years.

EDA ASSISTANCE:
Premier Lender Program



Small Business Support
ICF Mercantile Warren | Somerset County



Small Business Support

ICF Mercantile Warren | Somerset County

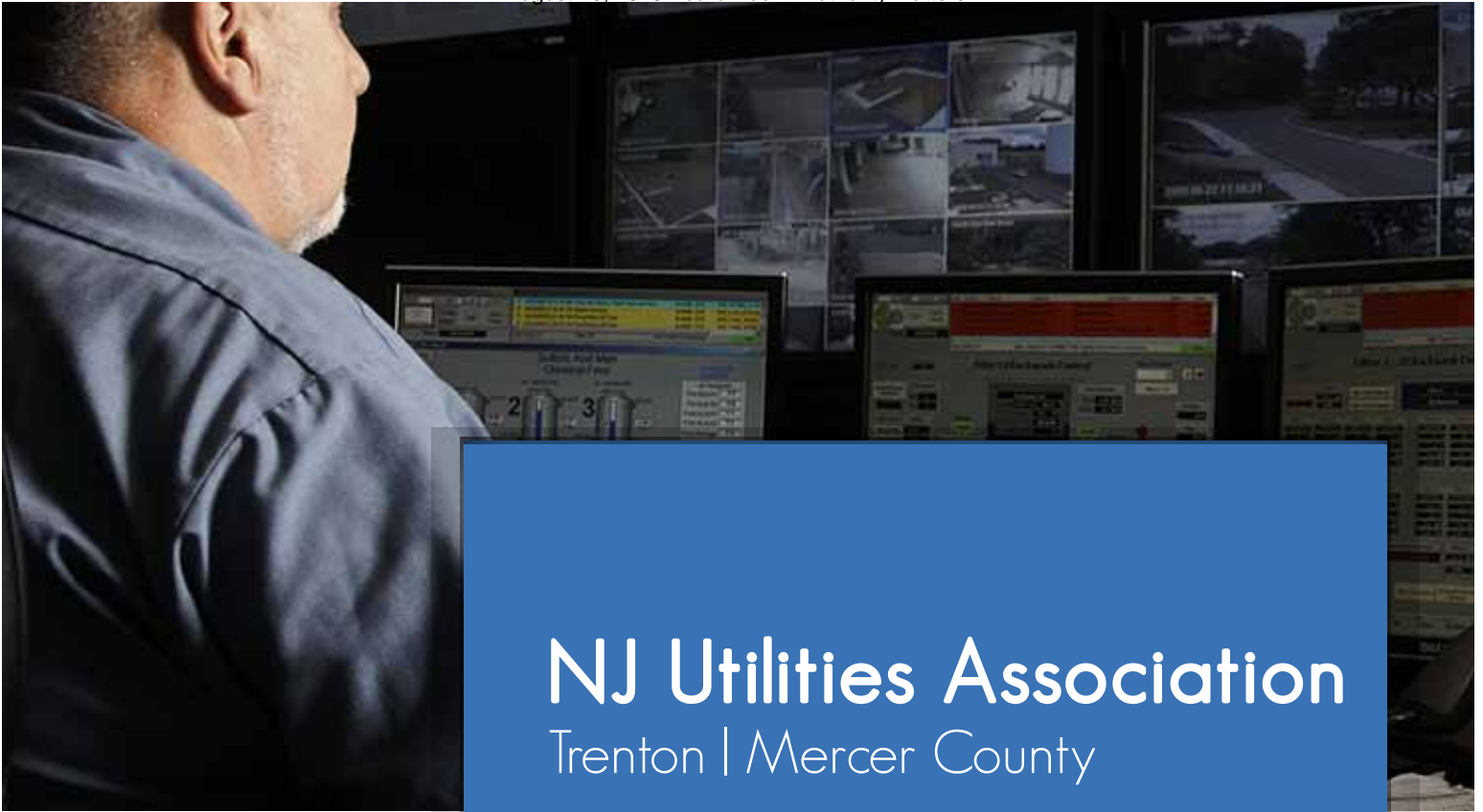


“

“Within the next year, we will continue to expand our capabilities, capacity, and vertical integration... This, of course, will require additional manufacturing space, employees, and other peripheral resources.”

”

- ICF Owner, David Ronner



NJ Utilities Association

Trenton | Mercer County



WWW.NJUA.COM

NJUA
154 W State St, Trenton, NJ
08608



@NJUTILITIES

Driver

NJUA has occupied a suite at 50 West State Street in Trenton since 1990. The EDA's announcement of the Business Lease Incentive (BLI) program prompted NJUA's leadership to consider a move to a street-level location. After identifying suitable space at nearby 154 West State Street, NJUA applied and became the first entity approved for assistance under the BLI program, which offers reimbursement of a percentage of annual lease payments to for-profit businesses and non-profit organizations in eligible areas that plan to lease between 500 - 5,000 square feet of new or additional market-rate, first-floor office, industrial or retail space for a minimum five-year term.

Solution

New Jersey urban areas are home to many small businesses. Customers and residents frequent stores and offices, giving life to city streets. Together with the Business Improvement Incentive (BII) Program, the BLI program is designed to support the growth of retail and services in Garden State Growth Zones



The BLI program was a key factor in our decision to relocate within Trenton.

- President, NJUA, Andrew Hendry



Small Business Support

NJ Utilities Association Trenton | Mercer County

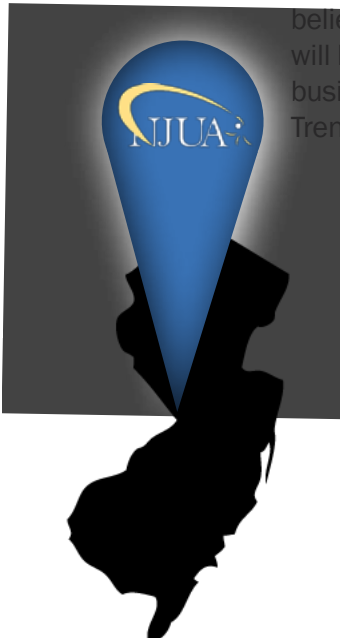


(GSGZs) by providing grants to street level, new and expanding businesses. These GSGZs were designated as Atlantic City, Camden, Passaic, Paterson, and Trenton through the New Jersey Economic Opportunity Act (EOA).

“The BLI program was a key factor in our decision to relocate within Trenton,” said NJUA President Andrew Hendry. “Our new street-level offices on West State Street will increase our visibility and accessibility and enable us to engage more fully with the community.”

The organization’s new headquarters will occupy 1,890 square feet on the first floor of a recently renovated historic property. The three-story brownstone, located just 250 feet from the State House, is one of five Trenton properties purchased and renovated in the last year by Staten Island native and real estate developer John Salis. The NJUA will be joined in the building by two other new tenants – a law firm and a technology company, and a fully-furnished walk-out basement space is currently available.

“When I purchased the property, it needed a lot of work, but the architecture and the location appealed to me,” said Salis. “I see the potential of the capital city and hope to influence other investors to be a part of the change taking place in Trenton.” Salis noted that he believes the BLI and BII programs will be instrumental in encouraging businesses to locate or expand in Trenton.



Results

NJUA’s new headquarters location will provide the organization with increased visibility and accessibility and will positively impact the surrounding neighborhood with increased foot traffic. The NJUA’s overall contribution to the community reaches all parts of the State. NJUA members support a wide range of community and philanthropic causes. These companies donate a combined \$15 million annually and provide volunteer resources to New Jersey-based charitable organizations.

Another component of NJUA’s corporate citizenship is its scholarship programs. Each year, NJUA awards the Excellence in Diversity Scholarship to qualified and deserving New Jersey high school seniors who meet the program’s eligibility criteria, which include not being a child of a NJUA member company employee. The James R. Leva Scholarship is sponsored by NJUA to assist member company employees who are employed in New Jersey, or a member of their family, in pursuing their higher education goals. The scholarship is named for James R. Leva, Jersey Central Power and Light executive and NJUA President from 1990-1991, whose professional achievements serve as a model for those who seek to advance themselves professionally through continuing education.

NJUA also offer the NJUA Trade and Vocational School Scholarship to two qualified students who will be pursuing a Trade or Vocational degree at an New Jersey accredited school. Details on all scholarship programs and application forms are available at www.njua.com.

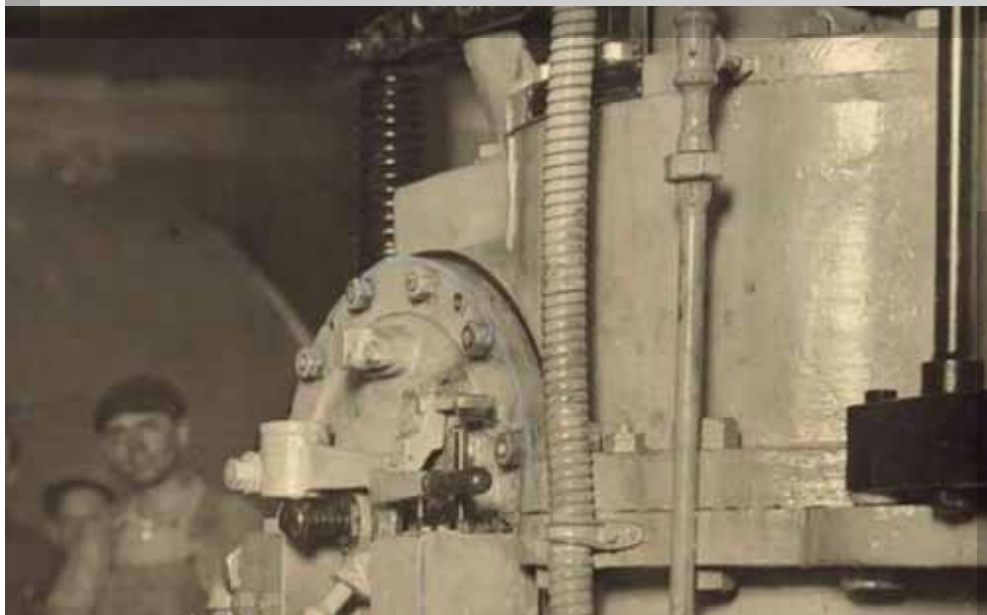
PROJECT: New Jersey Utilities Association (NJUA)	ESTIMATED JOBS: Four
LOCATION: Trenton/Mercer County	EDA ASSISTANCE: Business Lease Incentive (BLI)
INDUSTRY/TYPE: Utilities	

Small Business Support
NJ Utilities Association Trenton | Mercer County



Small Business Support

NJ Utilities Association Trenton | Mercer County



“

When I purchased the property, it needed a lot of work, but the architecture and the location appealed to me. I see the potential of the capital city and hope to influence other investors to be a part of the change taking place in Trenton.

”

*- John Salis, Real Estate Developer
(owner of 154 West State Street)*

Business and Community Development

“We build transformative projects in urban areas that have the potential of being America’s next great city. Downtown Newark is at the top of our list.”

- Dranoff Properties President and Founder, Carl Dranoff



Edison Solutions

Pennsauken | Camden County



Driver

North Bergen-based Edison Lithography & Printing Company had been delivering cost-effective printing services and manufacturing temporary cardboard displays, in-store décor and signage for the retail industry for over 55 years. Buoyed by its success, Edison acquired Compass, a display company in Georgia, in 2015, ultimately creating a new entity – Edison Solutions.

Following the formation of the new company, co-owners, husband and wife Joe and Susan Ostreicher, joined by Susan’s brother George Gross, sought to acquire a second facility and new machinery to support the company’s growth and enhance its wide format printing capabilities. Edison Solutions was evaluating locations in Kennesaw, Georgia and Pennsauken, New Jersey.

Solution

To encourage the company to choose Pennsauken over the Georgia location, which would involve the creation of



Now with the space and the equipment we have here, what they [Georgia] could produce in a day, we can do here in two hours. The equipment in Pennsauken is eight times as fast.

- Edison Solutions, Chief Operating Officer,
Joseph Ostreicher



WWW.EDISONLITHO.COM

Edison Solutions
3725 Tonnelle Avenue
North Bergen, New Jersey
07047

Business and Community Development

Edison Solutions Pennsauken | Camden County



95 new jobs and private investment of more than \$4.4 million, the EDA approved tax credits of up to \$8 million over 10 years through the Grow NJ tax incentive program.

The EDA also encouraged Edison Solutions to leverage its traditional financing programs, which included direct loans, and tax-exempt bonds. Through the EDA's direct loan program, qualifying businesses are eligible for up to \$2 million for fixed assets and up to \$750,000 for working capital; tax-exempt bonds of up to \$10 million are available for manufacturers in the State.

Results

As a result of the Grow NJ approval, Edison Solutions decided to acquire its new 117,000-square-foot facility at 1700 Suckle Highway in Pennsauken. Two direct EDA loans totaling \$2 million supported the purchase of its facility, as well as new printing equipment. Also helping with the purchase of new equipment and machinery were two tax-exempt bonds

totaling up to \$5.6 million, issued by the EDA and directly purchased by TD Bank.

According to Chief Financial Officer Susan Ostreicher, "As a family-owned-and-operated business, we have been delivering the highest-quality products for the retail industry for over 55 years. With EDA and TD Bank support, we have been able to expand strategically while continuing to offer the same level of quality that our customers have enjoyed for generations."

Situated on 7.7 acres and offering highway frontage on Route 130, the company will benefit from Pennsauken's prime business location, offering access to major transportation arteries and a large employee base. The facility is also close to its North Bergen headquarters, helping to streamline operations.

In June 2017, Edison Solutions held a ribbon cutting to celebrate the new digital printing press at the Pennsauken facility.

Chief Operating Officer Joe Ostreicher said, "Now

PROJECT: Edison Solutions	ESTIMATED JOBS: 60 at risk retained jobs; 95 new jobs
LOCATION: Pennsauken/Camden County Also maintain its headquarters in North Bergen/Hudson County	ESTIMATED INVESTMENT: \$4.4 million private investment
INDUSTRY/TYPE: Manufacturing; printing services	EDA ASSISTANCE: EDA direct loans; tax-exempt bond financing; Grow NJ tax incentive

Business and Community Development

Edison Solutions Pennsauken | Camden County



with the space and the equipment we have here, what they [Georgia] could produce in a day, we can do here in two hours. The equipment in Pennsauken is eight times as fast.”

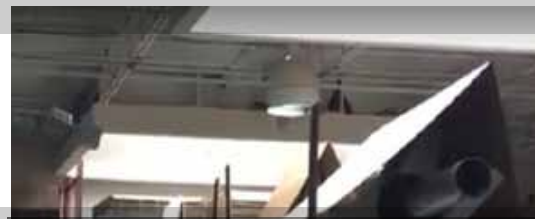
The three-year prospectus for the company’s Pennsauken facility conservatively estimates five percent growth year over year in certain product

categories; this does not reflect an expansion into new markets that would serve to complement Edison Solutions’ current capabilities.

“We are looking for growth in the packaging industry. That is the fastest growing sector in printing and finishing now,” Susan Ostreicher notes. ■

Business and Community Development

Edison Solutions Pennsauken | Camden County



“

As a family-owned-and-operated business, we have been delivering the highest-quality products for the retail industry for over 55 years. With EDA and TD Bank support, we have been able to expand strategically while continuing to offer the same level of quality that our customers have enjoyed for generations.

”

- Edison Solutions, Chief Financial Officer, Susan Ostreicher



Master Metal

Paterson | Passaic County



WWW.MASTERMETAL.COM

Master Metal
57 Wood St, Paterson, NJ
07524

Driver

Founded in 1962, family-owned and operated Master Metal initially offered polishing services for small shops out of its 7,500-square-foot facility in Woodside, New York. Over the years, the company has evolved, adopting an aluminum anodizing system that supports its aerospace metal finishing and processing operation.

Attracted by lower rental pricing, the manufacturer relocated to its 22,000-square-foot facility on Wood Avenue in Paterson in 2007. The building was previously home to a company that specialized in alkaline zinc plating for the automotive industry and had gone out of business after 20 years. As a result, the transition for Master Metal was easier as they were able to retain critical systems that already were in place, and also hire many of the highly-skilled employees that worked for the previous tenant company.



New Jersey's skilled labor pool was one of the factors that brought us to the state and allowed for a seamless move to Paterson. Today, that workforce is of the key factors in our ongoing success as we continue to evolve with the needs of the market.

- Master Metal President, Jeff Almeyda



Business and Community Development

Master Metal Paterson | Passaic County



The facility, which offers state-of-the-art equipment and systems, requires rigorous research and development, significant capital investment, and the highest level of technical expertise. In order to remain competitive in its industry, Master Metal determined that it needed to upgrade its machinery and equipment. The company was evaluating whether to make this investment at its existing Paterson facility, or relocate its operations to a newer and lower cost facility in Wind Gap, Pennsylvania.


the highest level of incentives in these communities, which also includes Camden, Atlantic City, Passaic and Trenton.

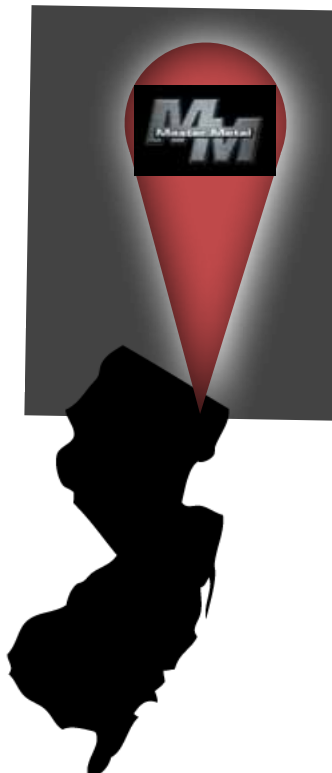
Solution

To encourage the company to invest in Paterson, retain its workforce of 34 and create 31 new jobs, the EDA approved tax credits of up to \$9.26 million over 10 years through the Grow NJ tax incentive program. The company benefited from a base grant of \$5,000 due to its location in a Garden State Growth Zone, as designated through the Economic Opportunity Act of 2013. Under the Act, the Legislature provided for

Results

As a result of the Grow NJ approval, the company decided to remain and grow in Paterson, New Jersey. In 2017, Master Metal certified completion of its project, receiving the first annual disbursement of \$940,000. The company had estimated capital investment of \$640,000 at application and certified actual investment totaling \$940,000. The company also certified the creation of 37 new jobs and the retention of 35 jobs that were at risk of being relocated to Pennsylvania.

According to President Jeff Almeyda, "We are adding new processes and are set to expand significantly in 2018-2019." 



PROJECT:
Master Metal

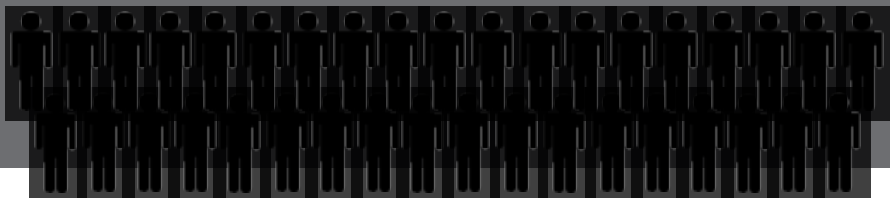
LOCATION:
Paterson/Passaic County

INDUSTRY/TYPE:
Manufacturing; aerospace metal finishing and processing company

ESTIMATED JOBS:
35 at risk retained jobs, 37 new jobs created

ESTIMATED INVESTMENT:
\$640,000 estimated capital investment at approval; actual certified capital investment at initial tax credit issuance was \$940,000.

EDA ASSISTANCE:
Grow NJ tax incentive





One Theater Square

Newark | Essex County



WWW.ONETHEATERSQUARE.COM

One Theater Square
34-40 Park Place, Newark,
NJ 07102

Driver

In 1997, the New Jersey Performing Arts Center (NJPAC) opened in downtown Newark, marking the start of a renaissance for New Jersey's largest city. As a premier cultural institution providing music, theater, dance and children's programming, NJPAC's mission has been to surround itself with private development, including residential, to create a theater square neighborhood and support the revitalization of Newark.

Starting in 2005, efforts were made to begin development of a residential tower, with predevelopment taking place. NJPAC then undertook a national search for a development partner, ultimately selecting award-winning national developer Dranoff Properties in 2008 through a competitive process. While initial plans to build the residential tower on a 1.2-acre parking lot were unveiled, the global recession combined with local market forces caused the project to be delayed for another eight years.

“
We build transformative projects in urban areas that have the potential of being America's next great city. Downtown Newark is at the top of our list.

- Dranoff Properties President and Founder, Carl Dranoff

Solution

While the market had improved by 2013 and a residential real estate boom in Jersey City and Hoboken spread to demand for new housing in Newark, a unique public-private partnership was needed to make the luxury, mixed-use residential tower – now called One Theater Square – a reality.

The project’s capital stack included support from the city of Newark; Prudential Financial; Fifth Third Bank; Dranoff Properties; and NJPAC, but additional financing was still needed. Critical to filling the gap was the Urban Transit Hub Tax Credit Program. In November 2013, the EDA approved the project for up to \$33 million in tax credits under the Hub program, determining that it was material to One Theater Square advancing. Also critical was a loan of \$11.83 million from the City, largely using proceeds from its Airport Rental Car Tax. The EDA also approved a Redevelopment Area Bond of \$1.46 million to complete the financing. New Jersey Manufacturers and Horizon Blue Cross bought the \$33 million in Urban Transit Hub tax credits, with Prudential lend-

ing money against the tax credits to enable construction to commence in November 2016.

The 22-story brick and glass skyscraper has transformed the former parking lot into a shining example of thoughtful planning and inspired architecture, and represents Newark’s first ground up luxury living address in more than 50 years

Developer Carl Dranoff has said, “We build transformative projects in urban areas that have the potential of being America’s next great city. Downtown Newark is at the top of our list and One Theater Square’s bulls eye location is second to none: in the heart of a dynamic downtown; across from NJPAC and Military Park; just 15-minutes by train to Manhattan; stunning views; high walkability scores. The architectural character of the historic neighborhood, its stately brick streetscapes and an eclectic array of nearby restaurants, galleries and shops make it a perfect location and fit for our product.”

PROJECT:
One Theater Square

LOCATION:
Newark/Essex County

INDUSTRY/TYPE:
Mixed-use residential tower

ESTIMATED JOBS:
Over 200 construction jobs; 15 permanent staff upon completion

ESTIMATED INVESTMENT:
\$116 million

EDA ASSISTANCE:
Urban Transit Hub Tax Credit Program; Redevelopment Area Bond

Business and Community Development

One Theater Square Newark | Essex County



Results

In September 2017, EDA joined with a large group of stakeholders to celebrate the topping off of One Theater Square.

According to Dranoff, “With its dramatic curved glass front, One Theater Square has redefined Newark’s skyline and its completion this summer will be an exclamation point on the massive revitalization efforts that have spurred Newark’s renaissance.”

One Theater Square offers 245 luxury apartments, 12,000 square feet of ground level retail, 285 parking spots and five-star amenities that will include: 24-concierge service, a state-of-the-art fitness center, club rooms, and an outdoor entertainment space with soft seating, TV’s and fire pits.

While the residential component of the Urban Transit Hub Tax Credit Program did not have a legislative requirement related to job creation or retention, over the course of its 24-months of construction, One Theater Square has employed over 200 construction workers many of whom are Newark residents. Dranoff also notes, “Once completed, 15 permanent staff positions will be created to operate the building and deliver a five-star, luxury living experience to the residents.”

One Theater Square will begin leasing in Spring 2018 with move-ins starting in August. Retail leasing is also underway with exciting announcements coming in the near future. ■

Business and Community Development

One Theater Square Newark | Essex County

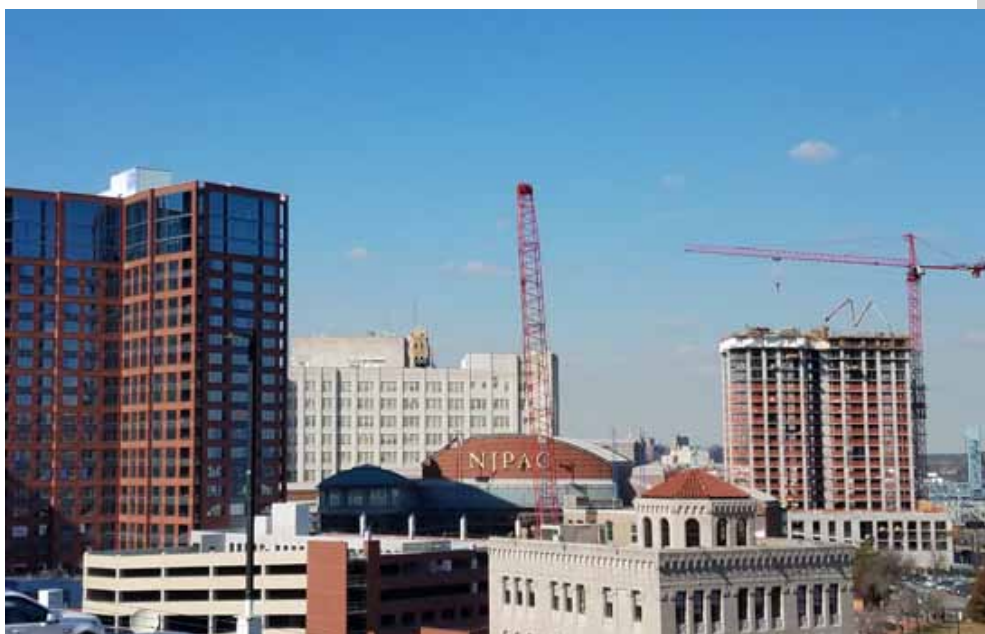


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“With its dramatic curved glass front, One Theater Square has redefined Newark’s skyline and its completion this summer will be an exclamation point on the massive revitalization efforts that have spurred Newark’s renaissance.”

”

- Dranoff Properties President and Founder, Carl Dranoff





EDA Team



EDA Executive Team



Tim Sullivan
Chief Executive Officer



Timothy J. Lizura
President & Chief Operating Officer



Frederick J. Cole
Senior Vice President, Operations



Maureen Hassett
Senior Vice President, Governance,
Communications & Strategic Initiatives



Lori Matheus
Senior Vice President, Finance &
Development

EDA Board Members



Public Members

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Chairman and CEO, New Jersey Resources

Phillip B. Alagia
Essex County Chief of Staff

Fred. B. Dumont
Business Manager, Heat & Frost Insulators and
Asbestos Workers Local 89

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Camden Economic Recovery Board

EDA Product Overview

EDA offers a large portfolio of varied programs and services designed to assist businesses of all sizes with access to capital. These programs provide access to capital in a variety of forms including tax-exempt and taxable bond financing, loans, loan guarantees, and business and tax incentives.

Below are the EDA's complete list of product offerings. For more information on any of these programs, please visit www.NJEDA.com or call our Customer Care line at (609) 858-6767.

EDA Product Overview

Bond Financing & Loans



Bond Financing

The EDA issues conduit tax-exempt private activity bonds, the proceeds of which are used to provide low-interest, fixed-asset loans. Borrowers must meet the eligibility requirements outlined in the Internal Revenue Code (IRC) in order to qualify. Taxable bonds are also available for a wide variety of businesses. Taxable bonds offer similar flexibility in structuring rates and terms but are not subject to the restrictions placed on tax-exempt financing under the IRC.

Premier Lender Program

EDA partners with Premier Lender banks to provide small businesses with low cost financing that includes EDA loan participation and/or guarantees, and line of credit guarantees. Businesses can use this financing for fixed assets or term working capital.

Direct Loans for Small and Mid Sized Businesses

New Jersey businesses in need of financing and committed to job creation/retention may be eligible for direct loans through EDA when financing is not available under other EDA financing programs. Assistance of up to \$2 million for fixed assets, or up to \$750,000 for working capital for up to 10 years is offered, with the option of either a fixed or variable below-market interest rate.

Small Business Fund

Expedited approvals of loans up to \$500,000, which may be used for fixed assets or working capital, are available to small, women, and minority-owned businesses that have been in operation for at least one year and not-for-profit corporations in operation for at least three full years.

Real Estate Impact Fund

The Real Estate Impact Fund provides up to \$3 million to developers and not-for-profit organizations and up to \$750,000 to public entities for costs associated with redevelopment projects in strategic urban and other significant locations that would not otherwise occur in the near term.



EDA Product Overview

Tax Credit Incentives



Grow NJ Program

Grow NJ is a job creation and retention incentive program. Businesses that are creating or retaining jobs in New Jersey may be eligible for transferable tax credits ranging from \$500 to \$5,000 per job, per year; with bonus credits ranging from \$250 to \$3,000 per job, per year. Please visit www.NJEDA.com/GrowNJ for more information.

Economic Redevelopment & Growth (ERG) Program

The Economic Redevelopment and Growth (ERG) Program is an incentive for developers and businesses to address revenue gaps in development projects, defined as having insufficient revenues to support the project debt service under a standard financing scenario. It can also apply to projects that have a below market development margin or rate of return. The grant is not meant to be a substitute for conventional debt and equity financing, and applicants should generally have their primary debt financing in place before applying. In order for a project to be approved, it needs to undergo a rigorous analysis of the sources and uses of funds, construction costs and projected revenues. Please visit www.NJEDA.com/ERG for more information.

Garden State Growth Zone Business Lease & Business Improvement Incentives

This pilot program, which was recently approved by the EDA Board, provides rent and building improvement reimbursement to street level businesses and facilities within eligible commercial corridors of a Garden State Growth Zone (Atlantic City, Camden, Passaic, Paterson and Trenton.)

Sales and Use Tax Exemption

This program, focused on retaining jobs in NJ, allows companies to make purchases for construction and renovation of their program approved new business location without having to pay state sales tax.

Urban Enterprise Zones (UEZ) Energy Sales Tax Exemption

Sales tax exemption on energy and utility services is available to UEZ certified manufacturers with at least 250 full-time employees, 50% of whom are involved in the manufacturing process.

Energy Sales Tax Exemption for Certain Counties

This program provides an energy sales tax exemption for the retail sales of electricity and natural gas and their transport to manufacturing businesses in Salem County.



EDA Product Overview

Technology & Life Sciences



Angel Investor Tax Credit Program

This program provides refundable tax credits against New Jersey corporation business or gross income tax for 10 percent of a qualified investment in an emerging technology business with a physical presence in New Jersey that conducts research, manufacturing, or technology commercialization. Visit www.njeda.com/angeltaxcredit for more information.

Biotech Incubator and Research Park

The Commercialization Center for Innovative Technologies (CCIT) is the leading incubator in the region dedicated to life sciences and biotechnology companies. CCIT is a 46,000 sq. ft. incubator in a 75-acre research park in North Brunswick. Labs range from approximately 800 – 1,000 sq. ft. and are “plug and play” ready. Tenant companies have shared access to conference rooms, reception services, two kitchens, loading docks, an NMR, dishwashing and autoclave. Separate private offices are also available. Many successful companies have graduated from CCIT, including Advaxis, Amicus Therapeutics (Nasdaq: FOLD), Chromocell (founded by Nobel laureate Gunter Blobel), GENEWIZ (over 1000 employees), and more. Visit www.NJEDA.com/CCIT or contact CCIT Program Manager Lenzie Harcum at lharcum@njeda.com or 732-839-1881 for more information.

Edison Innovation Fund - Matching Loan Program

The Edison Innovation Fund is a suite of financing instruments designed to develop, sustain, and grow technology and life sciences businesses in New Jersey. These financial instruments are attractive to tech and biotech companies because they provide support in a less dilutive manner than equity to companies which aren't ready yet to secure traditional bank financing.

NJ CoVest Fund

The NJ CoVest Fund provides seed funding to New Jersey technology and life sciences companies to further commercialize their technology and scale revenues. Investments made through the NJ CoVest Fund align with the EDA's ongoing strategy of supporting New Jersey's entrepreneurial ecosystem.

NJ Founders & Funders

NJ Founders & Funders is organized by the NJEDA Technology & Life Sciences (TLS) team to facilitate warm introductions between emerging New Jersey TLS companies and sophisticated angel & institutional investors. Hosted twice per year, venture capital investors are invited to meet with a select group of companies for 10-minute, one-on-one sessions to discuss strategy, business models and funding opportunities. Visit <https://application.njeda.com/tls/> for more information.

Technology Business Tax Certificate Transfer Program

This program enables tech and life sciences companies to sell a percentage of their New Jersey tax losses and/or unused research and development tax credits for cash. Visit www.njeda.com/NOL for more information

Venture Fund Investments

The EDA helps increase available capital for emerging tech companies by investing as a limited partner in several venture capital funds that invest in New Jersey-based businesses. Gains resulting from these investments are utilized to offer new funding opportunities to support New Jersey businesses.



www.njeda.com/TLS



EDA Product Overview

Site Remediation



Brownfields and Contaminated Site Remediation Program

Developers in New Jersey who need financial assistance to clean up and redevelop polluted sites and closed municipal landfills may enter into a redevelopment agreement with the EDA and be eligible to recover a portion of their remediation costs.

Hazardous Discharge Site Remediation Fund (HDSRF)

The NJDEP works with the EDA to provide loans, grants, and matching grants to public, private, and not-for-profit entities for the investigation and/or remediation of known or suspected contaminated sites.

Municipal Landfill Closure and Remediation Reimbursement Program

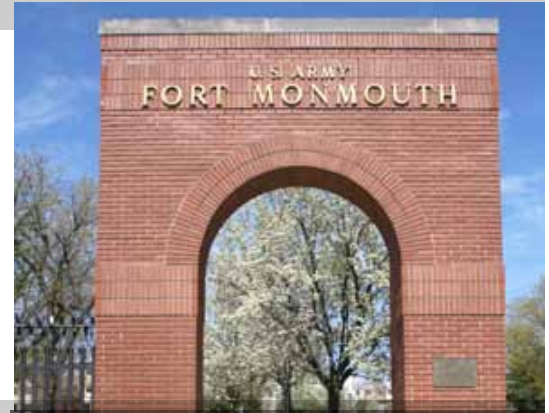
An eligible developer seeking financial assistance in the closure, remediation and redevelopment of municipal landfill sites in NJ may be eligible for reimbursement of 75% of the closure or clean up costs.

Petroleum Underground Storage Tank Program - Leaking Tanks Commercial & Residential

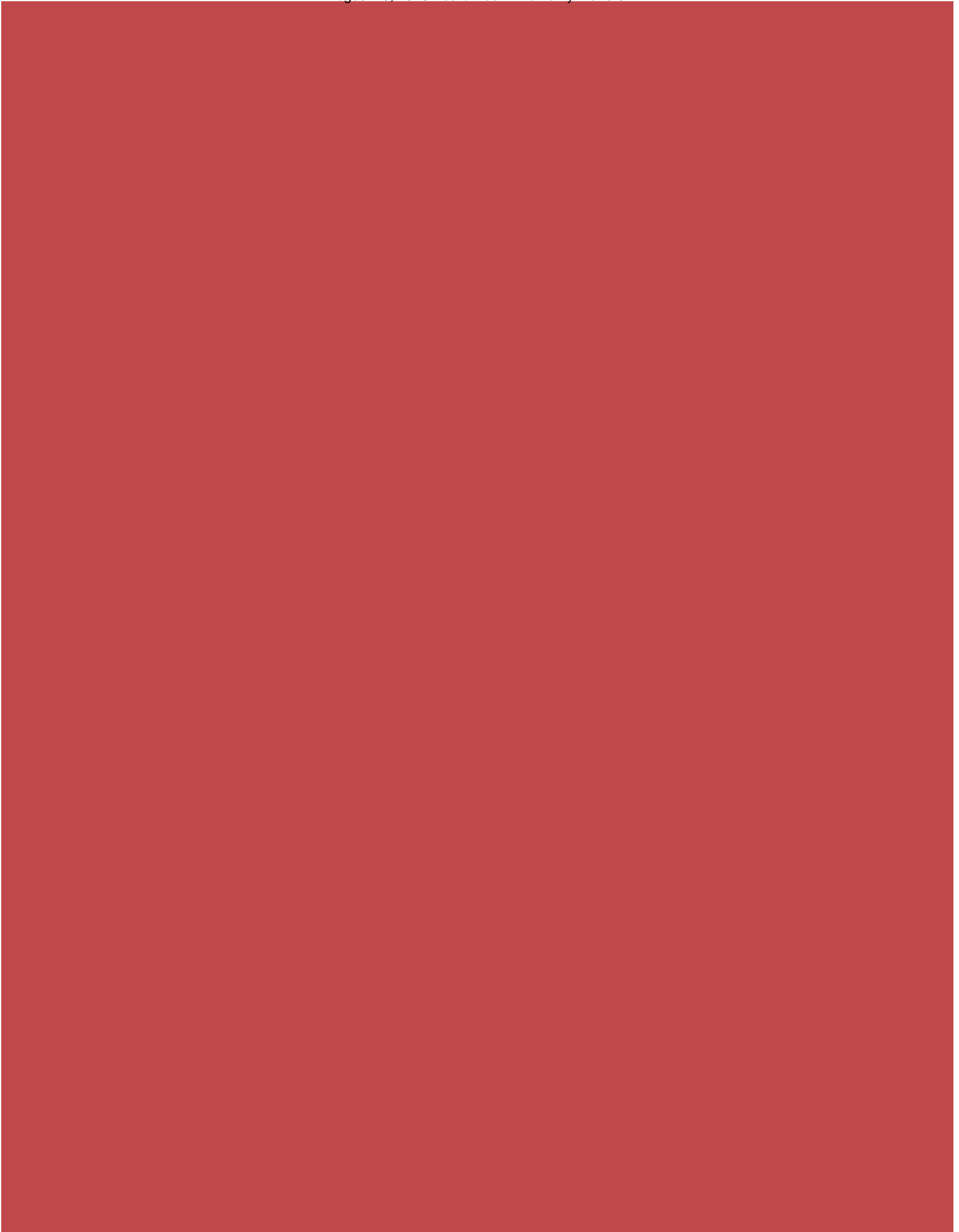
The Petroleum Underground Storage Tank Program provides grants to business owners/operators and residential property owners who have less than 10 tanks on site and are required by law to upgrade, close, and remediate discharge from those tanks. At this time, EDA is not processing new applications for this program due to insufficient funds.

Petroleum Underground Storage Tank Program - Non-Leaking Tanks Commercial, Residential & Not-for-Profit

Grant and loan funding to business owners or residential property owners that must upgrade, close, and remediate discharge from petroleum underground storage tanks. Applicant must have less than 10 tanks on site and net worth must not exceed \$2,000,000. Due to insufficient funds, new applications are no longer accepting new applications for the Petroleum Underground Storage Tank Remediation, Upgrade and Closure Program.



2017 Complete Project List



2017 Project List



2017 Complete Project List

	PROJECT	MUNICIPALITY	PROJECT TYPE	JOBS IN TW	AT RISK RETAINED JOBS	CONSTRUCTION JOBS	JOBS APP	PROGRAM NAME
ATLANTIC COUNTY	Harrah's Atlantic City Holding Inc. **	Atlantic City	CM	140	0	340	0	Economic Redevelopment
	SOSH Architects (SOSH Architects)	Atlantic City	OF	6	0	1	34	Garden State Growth Zone BLI-
	Atlantic City Contact Center, LLC *	Atlantic City	SV	332	0	0	0	Grow New Jersey Tax Credit-EOA
	Peter Contini	Margate City	SR	0	0	0	0	Hazardous Site Remediation -
	Ventnor City	Ventnor City	EX	0	0	7	0	NCR
	BONNIE D. PUTTERMAN D/B/A THE LAW OFFICE OF BONNIE D. PUTTERMAN	Hamilton Township	CM	2	0	0	2	Stronger NJ Business Loan
	Donna Lee Riegel d/b/a Evermore Herb Farm a/k/a Evermore Herb Co.	Galloway Township	RT	1	0	0	1	Stronger NJ Business Loan
	Donna Lee Riegel d/b/a Evermore Herb Farm a/k/a Evermore Herb Co.	Galloway Township	RT	0	0	0	0	Stronger NJ Business Loan
TOTAL PROJECTS	8			481	0	348	37	

	PROJECT	MUNICIPALITY	PROJECT TYPE	JOBS IN TW	AT RISK RETAINED JOBS	CONSTRUCTION JOBS	JOBS APP	PROGRAM NAME
BERGEN COUNTY	Ameream LLC (American Dream)	East Rutherford Borough	CM	16200	0	13730	0	Redevelopment Growth
	PsychoGenics Inc *	Paramus Borough	TC	82	35	39	0	Grow New Jersey Tax Credit-EOA
	Barbara Wiener	East Rutherford Borough	SR	0	0	0	0	Site Remediation -
	Daniel Scarpulla	Garfield City	SR	0	0	0	0	Site Remediation -
	Gary Rinaldi and Ellen Rinaldi	Saddle Brook Township	SR	0	0	0	0	Site Remediation -
	Wayne Whitefleet and Paula Whitefleet	Edgewater Borough	SR	0	0	0	0	Site Remediation -
	Borough of Westwood (Westwood Pistol Range)	Westwood Borough	SR	0	0	0	0	Site Remediation -
	Borough of Carlstadt	Carlstadt Borough	EX	0	0	43	0	NCR
	Jaguar Land Rover North America, LLC	Mahwah Township	MF	61	252	0	0	Sales Use and Tax
	Friends of Teaneck Community Charter School	Teaneck Township	NP	2	0	17	43	Stand-Alone Bond
	Ritu Bery LLC	Edgewater Borough	RT	0	0	0	6	NJ Business Loan
TOTAL PROJECTS	11			16345	287	13829	49	

2017 Project List



	PROJECT	MUNICIPALITY	PROJECT TYPE	JOBS IN TW	AT RISK RETAINED JOBS	CONSTRUCTION JOBS	JOBS APP	PROGRAM NAME
BURLINGTON COUNTY	Bossen Real Estate Holdings, LLC	Cinnaminson Township	MF	5	0	0	10	Direct Loan
	Nolyn Real Estate, LLC and Route 38 Hainesport, LLC	Hainesport Township	RT	10	0	2	25	Direct Loan
	Freedom Mortgage Corporation *	Evesham Township	SV	350	0	2	0	Grow New Jersey Tax Credit-EOA
	Quality Packaging Specialists International, LLC *	Florence Township	MF	220	170	182	0	Grow New Jersey Tax Credit-EOA
	Jura Properties, LLC	Beverly City	SR	0	0	0	0	Site Remediation -
	Volunteers Of America Delaware Valley Property Inc	Mansfield Township	SR	0	0	0	0	Site Remediation -
	Walter Clark	Pemberton Township	SR	0	0	0	0	Site Remediation -
	Borough of Wrightstown (Fort Dix Street)	Wrightstown Borough	SR	0	0	0	0	Site Remediation -
	City of Burlington (frm Army Ammunition Plant)	Burlington Township	SR	0	0	0	0	Site Remediation -
	Delran Township (Abrasive Alloy Casting Comp.)	Delran Township	SR	0	0	0	0	Site Remediation -
	Masonic Charity Foundation of New Jersey	Burlington City	NP	5	0	0	350	Stand-Alone Bond
	800 Coopertown Rd LLC	Delanco Township	WS	60	0	0	0	Statewide Loan Pool
	Richard E Pierson Materials Corp	Cinnaminson Township	MF	12	0	0	125	Statewide Loan Pool
TOTAL PROJECTS	13			662	170	186	510	

	PROJECT	MUNICIPALITY	PROJECT TYPE	JOBS IN TW	AT RISK RETAINED JOBS	CONSTRUCTION JOBS	JOBS APP	PROGRAM NAME
CAMDEN COUNTY	ICCG Properties LLC	Voorhees Township	CM	10	0	0	31	Direct Loan
	Cooper-Grant Neighborhood Association	Camden City	RH	1	0	67	0	Recovery Board - Camden
	Denise English	Camden City	SV	3	0	0	0	Recovery Board - Camden
	Tyrone Miles	Camden City	RT	0	0	0	0	Recovery Board - Camden
	Cooper Health System, The	Camden City	NP	0	0	0	0	Economic Resilience Bank
	The Cooper Health System (CHP Project Loan)	Camden City	NP	0	0	0	0	Economic Resilience Bank
	Amerinox Processing, Inc. **	Camden	MF	8	45	1	0	Grow New Jersey Tax Credit-EOA
	Barry-Callebaut USA LLC *	Pennsauken Township	MF	26	0	0	0	Grow New Jersey Tax Credit-EOA
	Holtec International *	Camden City	MF	235	160	1141	0	Grow New Jersey Tax Credit-EOA

2017 Project List



CAMDEN COUNTY	PROJECT	MUNICIPALITY	PROJECT TYPE	JOBS IN TW	AT RISK RETAINED JOBS	CONSTRUCTION JOBS	JOBS APP	PROGRAM NAME
	IPAK, Inc. **	Camden City	MF	0	114	0	0	Grow New Jersey Tax Credit-EOA
	LiDestri Foods, Inc. and Pennsauken Packing Company *	Pennsauken Township	MF	60	27	7	0	Grow New Jersey Tax Credit-EOA
	Philadelphia 76ers, L.P. **	Camden City	RL	250	0	0	0	Grow New Jersey Tax Credit-EOA
	Esterbrook Lane Limited Liability Company	Cherry Hill Township	SR	0	0	0	0	Site Remediation -
	Neal Senholzi and Beth Senholzi	Collingswood Borough	SR	0	0	0	0	Site Remediation -
	Camden Redevelopment Agency (BDA Harrison Avenue Landfill)	Camden City	SR	0	0	0	0	Site Remediation -
	Camden Redevelopment Agency (Frm ABC Barrel-Penn St)	Camden City	SR	0	0	0	0	Site Remediation -
	Camden Redevelopment Agency (North Camden Waterfront BDA)	Camden City	SR	0	0	0	0	Site Remediation -
	KIPP: Cooper Norcross, A New Jersey Nonprofit Corporation	Camden City	NP	23	0	124	0	Stand-Alone Bond
	KIPP: Cooper Norcross, A New Jersey Nonprofit Corporation	Camden City	NP	30	0	115	0	Stand-Alone Bond
MSC Facilities LLC	Camden City	NP	53	0	209	97	Stand-Alone Bond	
Uncommon CP Properties II, LLC	Camden City	NP	210	0	209	42	Stand-Alone Bond	
TOTAL PROJECTS	21		909	346	1873	170		

CAPE MAY COUNTY	PROJECT	MUNICIPALITY	PROJECT TYPE	JOBS IN TW	AT RISK RETAINED JOBS	CONSTRUCTION JOBS	JOBS APP	PROGRAM NAME
	Mark Crego dba MC Signs	Upper Township	CM	1	0	0	2	NJ Business Loan
TOTAL PROJECTS	1		1	0	0	2		

CUMBERLAND COUNTY	PROJECT	MUNICIPALITY	PROJECT TYPE	JOBS IN TW	AT RISK RETAINED JOBS	CONSTRUCTION JOBS	JOBS APP	PROGRAM NAME
	Tri-County Community Action Partnership	Bridgeton City	SR	0	0	0	0	Hazardous Site Remediation - Commercial
TOTAL PROJECTS	1		0	0	0	0		

ESSEX COUNTY	PROJECT	MUNICIPALITY	PROJECT TYPE	JOBS IN TW	AT RISK RETAINED JOBS	CONSTRUCTION JOBS	JOBS APP	PROGRAM NAME
	Flame Cut Steel Inc.	Irvington Township	MF	0	0	0	0	Direct Loan
	TDAF I Springfield Avenue **	Newark	CM	105	0	145	0	Redevelopment Growth
	Makers Village QALICB, LLC.	Newark City	SV	78	0	11	0	Redevelopment Growth-
	Fabuwood Cabinetry Corp. *	Newark City	MF	276	336	422	0	Grow New Jersey Tax Credit-EOA
	Grocery Delivery E-Services USA Inc. **	Newark City	RT	443	122	0	0	Grow New Jersey Tax Credit-EOA
99 Chapel Street LLC	Newark City	SR	0	0	0	0	Site Remediation -	

2017 Project List



ESSEX COUNTY	City of Newark (Maas & Waldstein Co. E. Parcel)	Newark City	SR	0	0	0	0	Site Remediation -
	City of Newark (Rise Field project)	Newark City	SR	0	0	0	0	Site Remediation -
	Township of Montclair (Southend Pyramid)	Montclair Township	SR	0	0	0	0	Site Remediation -
	West Orange Township (Selecto Flash Inc.)	West Orange Township	SR	0	0	0	0	Site Remediation -
	NSA 18th Avenue, LLC	Newark City	NP	4	0	225	80	Stand-Alone Bond
	Port Newark Container Terminal L.L.C.	Newark City	EX	291	0	410	80	Stand-Alone Bond
	The Kintock Group of New Jersey Inc.	Newark City	NP	50	0	0	350	Stand-Alone Bond
	52 La France LLC	Bloomfield Township	WS	20	0	15	125	Statewide Loan Pool
	Clean Mat Services Limited Liability Company d/b/a	Roseland Borough	SV	1	0	0	2	NJ Business Loan
	Orange Trucking Inc.	Newark City	TP	5	0	0	12	NJ Business Loan
Orange Trucking Inc.	Newark City	TP	0	0	0	0	NJ Business Loan	
TOTAL PROJECTS	17		1273	458	1228	649		

	PROJECT	MUNICIPALITY	PROJECT TYPE	JOBS IN TW	AT RISK RETAINED JOBS	CONSTRUCTION JOBS	JOBS APP	PROGRAM NAME
GLOUCESTER COUNTY	Eastern Pro Pak L.L.C. *	Glassboro Borough	AG	65	65	52	0	Grow New Jersey Tax Credit-EOA
	Sebring Company	Washington Township	SR	0	0	0	0	Site Remediation -
	Sebring Company (Greentree Shopping Center)	Washington Township	SR	0	0	0	0	Site Remediation -
	Borough of Clayton (Clevenger Brothers Glass Works)	Clayton Borough	SR	0	0	0	0	Site Remediation -
	Borough of Clayton (Wayne's Auto)	Clayton Borough	SR	0	0	0	0	Site Remediation -
	City of Woodbury (Hill Brothers Inc.)	Woodbury City	SR	0	0	0	0	Site Remediation -
	MCM Acquisitions, L.L.C. and Swedesboro Animal Hospital, L.L.C.	Woolwich Township	SV	12	0	0	50	Statewide Loan Pool
TOTAL PROJECTS	7		77	65	52	50		

	PROJECT	MUNICIPALITY	PROJECT TYPE	JOBS IN TW	AT RISK RETAINED JOBS	CONSTRUCTION JOBS	JOBS APP	PROGRAM NAME
HUDSON COUNTY	DVL, Inc **	Kearny	CM	150	0	393	0	Redevelopment Growth-
	Wylei, Inc.	Jersey City	TC	24	0	0	11	Innovation VC Growth Fund
	Advisor Group, Inc. *	Jersey City	SV	60	0	7	0	Grow New Jersey Tax Credit-EOA
	Appeagle, Inc. *	Jersey City	TC	29	31	5	0	Grow New Jersey Tax Credit-EOA

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HUDSON COUNTY	Brown Brothers Harriman & Co. **	Jersey City	OF	110	435	97	0	Grow New Jersey Tax Credit-EOA
	Clover Health LLC *	Jersey City	SV	62	102	4	0	Grow New Jersey Tax Credit-EOA
	Fidessa Corporation *	Jersey City	TC	340	0	0	0	Grow New Jersey Tax Credit-EOA
	FXDirectDealer, LLC **	Jersey City	SV	121	0	6	0	Grow New Jersey Tax Credit-EOA
	H&M Hennes & Mauritz, L.P. *	Secaucus Town	RT	45	110	17	0	Grow New Jersey Tax Credit-EOA
	Insurance Services Offices, Inc. *	Jersey City	SV	0	430	68	0	Grow New Jersey Tax Credit-EOA
	LI 2000, Inc. *	Secaucus Town	CM	261	931	246	0	Grow New Jersey Tax Credit-EOA
	Marsh & McLennan Companies, Inc. & Marsh Inc. *	Hoboken City	SV	0	475	110	0	Grow New Jersey Tax Credit-EOA
	Omnicom Group Inc. *	Jersey City	SV	493	0	68	0	Grow New Jersey Tax Credit-EOA
	Quest Diagnostics Incorporated *	Secaucus Town	RD	0	395	174	0	Grow New Jersey Tax Credit-EOA
	RVM Enterprises, Inc. **	Jersey City	SV	112	0	14	0	Grow New Jersey Tax Credit-EOA
	Safilo USA Inc. *	Secaucus Town	WS	0	211	29	0	Grow New Jersey Tax Credit-EOA
	The Interpublic Group of Companies, Inc. *	Jersey City	SV	110	0	15	0	Grow New Jersey Tax Credit-EOA
	Tory Burch, LLC *	Jersey City	WS	139	0	55	0	Grow New Jersey Tax Credit-EOA
	WallachBeth Capital LLC **	Jersey City	SV	55	0	3	0	Grow New Jersey Tax Credit-EOA
	City of Hoboken (Jackson Street Gargage)	Hoboken City	SR	0	0	0	0	Site Remediation -
	Jersey City Redevelopment Agency (Berry Lane Park)	Jersey City	SR	0	0	0	0	Site Remediation -
	Jersey City Redevelopment Agency (Berry Lane Park)	Jersey City	SR	0	0	0	0	Site Remediation -
	Jersey City Redevelopment Agency (Jersey City MUA)	Jersey City	SR	0	0	0	0	Site Remediation -
	San Antonio Broker Services, Inc.	North Bergen Township	DS	25	0	0	60	Street Assistance Line
	San Antonio Broker Services, Inc.	North Bergen Township	DS	0	0	0	0	Street Assistance Line
	Ex-Titanic Corp. and Atlas Express Inc.	Union City	CM	0	0	0	2	NJ Business Loan
	Ex-Titanic Corp. and Atlas Express Inc.	Union City	CM	0	0	0	0	NJ Business Loan
	Harborside Unit A LLC **	Jersey City	SV	18	0	700	0	Transit Hub Tax Credit

2017 Project List



HUDSON COUNTY	Journal Square Associates **	Jersey City	OF	17	0	711	0	Transit Hub Tax Credit
	PHMII Associates, L.L.C. **	Jersey City	SV	8	0	400	0	Transit Hub Tax Credit
	TOTAL PROJECTS	30		2179	3120	3122	73	

PROJECT	MUNICIPALITY	PROJECT TYPE	JOBS IN TW	AT RISK RETAINED JOBS	CONSTRUCTION JOBS	JOBS APP	PROGRAM NAME
Borough of Milford (A&L Oil Co. Inc.)	Milford Borough	SR	0	0	0	0	Site Remediation -
TOTAL PROJECTS	1		0	0	0	0	

PROJECT	MUNICIPALITY	PROJECT TYPE	JOBS IN TW	AT RISK RETAINED JOBS	CONSTRUCTION JOBS	JOBS APP	PROGRAM NAME
Aralez Pharmaceuticals US Inc. and Affiliates *	West Windsor Townsh	OF	90	0	22	0	Grow New Jersey Tax Credit-EOA
P&R Dental Strategies, LLC *	Hamilton Township	SV	30	0	5	0	Grow New Jersey Tax Credit-EOA
The Hibbert Company *	Trenton City	SV	0	259	26	0	Grow New Jersey Tax Credit-EOA
3048 South Broad Street LLC	Trenton City	SR	0	0	0	0	Site Remediation -
Joseph Miccio	Ewing Township	SR	0	0	0	0	Site Remediation -
Michael A. Tramontana	Trenton City	SR	0	0	0	0	Site Remediation -
Michael A. Tramontana Township of West Windsor (Sanitary Landfill)	West Windsor Townsh	SR	0	0	0	0	Site Remediation -
TOTAL PROJECTS	8		120	259	53	0	

PROJECT	MUNICIPALITY	PROJECT TYPE	JOBS IN TW	AT RISK RETAINED JOBS	CONSTRUCTION JOBS	JOBS APP	PROGRAM NAME
30 West Pershing, LLC	Edison Township	RT	268	0	260	0	Redevelopment Growth-
Saint Peters University Hospital	New Brunswick City	NP	0	0	0	0	Economic Resilience Bank
Saint Peters University Hospital	New Brunswick City	NP	0	0	0	0	Economic Resilience Bank
Direct Energy Gp LLC *	Woodbridge Township	OF	115	276	18		Grow New Jersey Tax Credit-EOA
J.F. Hillebrand USA, Inc. *	Edison Township	SV	25	107	7	0	Grow New Jersey Tax Credit-EOA
Thomas Dolan	Highland Park Borough	SR	0	0	0	0	Site Remediation -
Borough of Dunellen (The Strip Joint, Inc.)	Dunellen Borough	SR	0	0	0	0	Site Remediation -
Borough of South River (Firehouse Redevelop Site)	South River Borough	SR	0	0	0	0	Site Remediation -
City of Perth Amboy (Former Municipal Complex)	Perth Amboy City	SR	0	0	0	0	Site Remediation -

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MIDDLESEX COUNTY	Highland Park Redevelopment Agency (Classic Cleaners)	Highland Park Borough	SR	0	0	0	0	Site Remediation -
	Redevelopment Agency (Denison Avenue vacant lots)	Highland Park Borough	SR	0	0	0	0	Site Remediation -
	Redevelopment Agency (Rutgers Gun & Boat Shop)	Highland Park Borough	SR	0	0	0	0	Site Remediation -
	Middlesex County (BDA Waterfront Park)	Perth Amboy City	SR	0	0	0	0	Site Remediation -
	Middlesex County (BDA-Former Municipal Complex)	Perth Amboy City	SR	0	0	0	0	Site Remediation -
	Township of Edison (Muller Machinery Company)	Edison Township	SR	0	0	0	0	Site Remediation -
	Township of Woodbridge (Industrial Hwy Corporation BDA)	Woodbridge Township	SR	0	0	0	0	Site Remediation -
	Solutions, Inc. and Broadway Kleer-Guard Corporation	Monroe Township	MF	0	0	0	0	Street Assistance Line
	International Academy Charter School, Inc.	East Brunswick Township	NP	13	0	19	54	Stand-Alone Bond
	41 Ethel Road West LLC	Piscataway	MF	25	0	0	0	Statewide Loan Pool
	Global Furniture USA, Inc.	East Brunswick Township	DS	3	0	0	30	Statewide Loan Pool
Reina Tire Services Inc.	South River Borough	RT	2	0	0	3	NJ Business Loan	
TOTAL PROJECTS	21		451	383	304	87		

	PROJECT	MUNICIPALITY	PROJECT TYPE	JOBS IN TW	AT RISK RETAINED JOBS	CONSTRUCTION JOBS	JOBS APP	PROGRAM NAME
MONMOUTH COUNTY	Fort Monmouth Economic Revitalization Authority	Oceanport Borough	GF	0	0	0	0	Direct Loan
	iCIMS, Inc. *	Holmdel Township	SV	390	552	127	0	Grow New Jersey Tax Credit-EOA
	Innocor, Inc. *	Red Bank Borough	MF	50	90	10	0	Grow New Jersey Tax Credit-EOA
	Manhattan Telecommunications Corporation *	Holmdel Township	TC	100	0	12	0	Grow New Jersey Tax Credit-EOA
	Work Wave LLC *	Holmdel Township	TC	247	154	32	0	Grow New Jersey Tax Credit-EOA
	City of Long Branch (86,88,90 Broadway)	Long Branch City	SR	0	0	0	0	Site Remediation -
	Count Basie Theatre, Inc.	Red Bank Borough	NP	15	0	0	25	Stand-Alone Bond
	78 Apple Associates, L.L.C. et al	Tinton Falls Borough	CM	25	0	0	205	Statewide Loan Pool
	Industrial Ct LLC	Howell Township	DS	6	0	0	15	Statewide Loan Pool
	Middletown Bus Depot LLC	Middletown Township	TP	50	0	0	0	Statewide Loan Pool
	Wayside Bus Depot LLC	Tinton Falls Borough	SV	0	0	0	0	Statewide Loan Pool

2017 Project List



MONMOUTH	Merchwerks LLC dba Cowerks	Asbury Park City	CM	2	0	0	0	Tech Shared Space
	TOTAL PROJECTS	12		885	796	181	245	

	PROJECT	MUNICIPALITY	PROJECT TYPE	JOBS IN TW	AT RISK RETAINED JOBS	CONSTRUCTION JOBS	JOBS APP	PROGRAM NAME
MORRIS COUNTY	Capintec, Inc. *	Florham Park Borough	MF	45	0	4	0	Grow New Jersey Tax Credit-EOA
	Ogilvy CommonHealth Worldwide LLC *	Parsippany-Troy Hills Township	SV	60	447	55	0	Grow New Jersey Tax Credit-EOA
	York Risk Services Group, Inc *	Parsippany-Troy Hills Township	SV	44	123	11	0	Grow New Jersey Tax Credit-EOA
	Richard Dinardo	Parsippany-Troy Hills Township	SR	0	0	0	0	Site Remediation -
	Borough of Madison (Bayley Ellard Field)	Madison Borough	SR	0	0	0	0	Site Remediation -
	Borough of Madison (Fmr Guerriero Paving Company)	Madison Borough	SR	0	0	0	0	Site Remediation -
	Township of Hanover (Frm Van Dyk Research Corp.)	Hanover Township	SR	0	0	0	0	Site Remediation -
	Visiting Nurse Association of Northern New Jersey, Inc.	Morristown Town	NP	15	0	0	25	Stand-Alone Bond
	WKFM Realty Limited Liability Company	Wharton Borough	SV	5	0	0	30	Statewide Loan Pool
TOTAL PROJECTS	9		169	570	70	55		

	PROJECT	MUNICIPALITY	PROJECT TYPE	JOBS IN TW	AT RISK RETAINED JOBS	CONSTRUCTION JOBS	JOBS APP	PROGRAM NAME
MULTI COUNTY	Dakota Properties, Inc.	Statewide	NP	2	0	0	12	Stand-Alone Bond
	Oaks Integrated Care, Inc.	Statewide	NP	15	0	0	1850	Stand-Alone Bond
	The Kintock Group of New Jersey, Inc. and The Kintock Group, Inc.	Statewide	NP	50	0	0	350	Stand-Alone Bond
	TOTAL PROJECTS	3		67	0	0	2212	

	PROJECT	MUNICIPALITY	PROJECT TYPE	JOBS IN TW	AT RISK RETAINED JOBS	CONSTRUCTION JOBS	JOBS APP	PROGRAM NAME
OCEAN COUNTY	Sandy's Service Center, LLC	Brick Township	SR	0	0	0	0	Site Remediation -
	Township of Berkeley (AT&T Property)	Berkeley Township	SR	0	0	0	0	Site Remediation -
	Congregation Nachlas Yisroel, Inc.	Lakewood Township	NP	8	0	0	10	Stand-Alone Bond
	Services for Children with Hidden Intelligence, Inc.	Lakewood Township	NP	35	0	0	405	Stand-Alone Bond
	Yeshiva Gedola Na'os Yaakov Inc	Lakewood Township	NP	35	0	0	21	Stand-Alone Bond
	Charles Plum Corp.	Plumsted Township	MF	3	0	0	8	Statewide Loan Pool
	Rutgers Bus Depot LLC	Lakewood Township	TP	2	0	0	30	Statewide Loan Pool

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OCEAN COUNTY	Bobbalooch and Fats LLC d/b/a Ryan's Deli	Seaside Heights Borough	SV	3	0	0	2	NJ Business Loan
	Bowker's South Beach Grill, LLC	Long Beach Township	RT	6	0	1	0	NJ Business Loan
	Bowker's South Beach Grill, LLC	Beach Haven Borough	CM	0	0	0	0	NJ Business Loan
	LBI Recreation Center, Inc.	Beach Haven Borough	SV	0	0	0	43	NJ Business Loan
	The Dutchman's Brau Haus	Stafford Township	CM	0	0	0	0	NJ Business Loan
	TOTAL PROJECTS	12		92	0	1	519	

	PROJECT	MUNICIPALITY	PROJECT TYPE	JOBS IN TW	AT RISK RETAINED JOBS	CONSTRUCTION JOBS	JOBS APP	PROGRAM NAME
PASSAIC COUNTY	Goose Pond Investors LLC	Wayne Township	MF	0	0	0	0	Direct Loan
	Vidal Travel Inc	Passaic City	RT	3	0	2	4	State Growth Zone BLI-Grow New Jersey Tax Credit-EOA
	Master Metal Polishing Corp. **	Paterson City	GF	31	34	0	0	Site Remediation -
	1500 Main Avenue Associates	Clifton City	SR	0	0	0	0	Site Remediation -
	Gus Anna LLC	Woodland Park Boro	SR	0	0	0	0	Site Remediation -
	Joseph Piazza and Francine Piazza	Wayne Township	SR	0	0	0	0	Site Remediation -
	Paterson Habitat for Humanity	Paterson City	SR	0	0	0	0	Site Remediation -
	City of Paterson	Paterson City	SR	0	0	0	0	Site Remediation -
	City of Paterson (BDA - former ATP Processors)	Paterson City	SR	0	0	0	0	Site Remediation -
	City of Paterson (Dairy Queen)	Paterson City	SR	0	0	0	0	Site Remediation -
	City of Paterson (Paterson Armory)	Paterson City	SR	0	0	0	0	Site Remediation -
	City of Paterson (Paterson Steam Plant)	Paterson City	SR	0	0	0	0	Site Remediation -
	5RG Realty LLC	Paterson City	MF	16	0	0	62	Development Financing
	Patella Construction Corp. d/b/a Patella Woodworking	Passaic City	MF	0	0	0	0	Street Assistance Line
	Goose Pond Investors LLC	Wayne Township	MF	20	0	10	80	Stand-Alone Bond
	UMM Energy Partners, LLC	Little Falls Township	EX	2	0	114	72	Stand-Alone Bond
	TOTAL PROJECTS	16		72	34	126	218	

	PROJECT	MUNICIPALITY	PROJECT TYPE	JOBS IN TW	AT RISK RETAINED JOBS	CONSTRUCTION JOBS	JOBS APP	PROGRAM NAME
SALEM COUNTY	City of Salem (Four BDA Sites)	Salem City	SR	0	0	0	0	Site Remediation -

2017 Project List



SALEM COUNTY	City of Salem (North Bend Fire Comp. No. 4)	Salem City	SR	0	0	0	0	Site Remediation -
	TOTAL PROJECTS	2		0	0	0	0	

	PROJECT	MUNICIPALITY	PROJECT TYPE	JOBS IN TW	AT RISK RETAINED JOBS	CONSTRUCTION JOBS	JOBS APP	PROGRAM NAME
SOMERSET COUNTY	Sysco Guest Supply, LLC *	Franklin Township	SV	35	121	23	0	Grow New Jersey Tax Credit-EOA
	Veeco Process Equipment., Inc. *	Franklin Township	MF	49	26	41	0	Grow New Jersey Tax Credit-EOA
	Cecilia Niedzialkowski	Franklin Township	SR	0	0	0	0	Site Remediation -
	Borough of Somerville (BDA Somerville Landfill)	Somerville Borough	SR	0	0	0	0	Site Remediation -
	Borough of Somerville (BDA Somerville Landfill)	Somerville Borough	SR	0	0	0	0	Site Remediation -
	TOTAL PROJECTS	5			84	147	64	0

	PROJECT	MUNICIPALITY	PROJECT TYPE	JOBS IN TW	AT RISK RETAINED JOBS	CONSTRUCTION JOBS	JOBS APP	PROGRAM NAME
UNION COUNTY	JA Properties, LLC	Union Township	SV	1	0	0	2	Direct Loan
	Mahi Aashirwad LLC	Elizabeth City	RT	0	0	0	2	Direct Loan
	Northwood Avenue LLC	Linden City	SV	30	0	13	120	Direct Loan
	DBV Technologies *	Summit City	TC	45	0	5		Grow New Jersey Tax Credit-EOA
	Macrietta Realty Company	Cranford Township	SR	0	0	0	0	Site Remediation -
	City of Plainfield (Arlington Heights)	Plainfield City	SR	0	0	0	0	Site Remediation -
	City of Plainfield (Central Business District)	Plainfield City	SR	0	0	0	0	Site Remediation -
	City of Plainfield (Central Business District)	Plainfield City	SR	0	0	0	0	Site Remediation -
	City of Plainfield (Redemption Power)	Plainfield City	SR	0	0	0	0	Site Remediation -
	Rahway Redevelopment Agency (Slokker Development Site)	Rahway City	SR	0	0	0	0	Site Remediation -
	Township of Scotch Plains (Raritan Rd Rec Facility)	Scotch Plains Township	SR	0	0	0	0	Site Remediation -
	Township of Scotch Plains (Raritan Road Rec. Facility)	Scotch Plains Township	SR	0	0	0	0	Site Remediation -
	Provident Group - Kean Properties L.L.C.	Union Township	NP	15	0	245	0	Stand-Alone Bond
	1245 Virginia St NJ LLC	Elizabeth City	WS	20	0	0	0	Statewide Loan Pool
	960 Holdings LLC	Rahway City	MF	25	0	0	124	Statewide Loan Pool
	Power Photo Corp. and 40 Montgomery St Hillside LLC	Hillside Township	WS	50	0	0	50	Statewide Loan Pool
TOTAL PROJECTS	16			186	0	263	298	

Total Projects 214

2017 Project Key



PROJECT TYPE KEY

AG: Agriculture	CM: Commercial	CC: Continuing Care Retirement	DS: Distribution
CF: Commercial Fishing	GF: Government Facility	MF: Manufacturing	NH: Nursing Home
OF: Office Facility	PC: Pollution Control	RD: Research & Development	SV: Services
TP: Transportation	WS: Wholesale	RT: Retail	EX: Exempt Public Facility
RH: Residential Health Care	RC: Recycling	CT: Construction Trade	DC: Day Care
NP: Not for Profit	SR: Site Remediation	UT: Underground Storage Tank	HS: Housing
CU: Cultural	IN: Infrastructure	SS: Streetscape	RL: Recreational
TC: Technology			

* Executed pending certification - Project has executed grant agreement in 2016, but has yet to certify completion. No disbursement has been issued to date for these projects.

** Certified & completed - All projects that have certified completion in 2016 and received tax credits or reimbursements to date.

2017 Project List



	Company	Municipality	County
TECHNOLOGY BUSINESS TAX CERTIFICATE TRANSFER PROGRAM 2017 APPROVALS	Acuitive Technologies, Inc.	Allendale	Bergen
	Advaxis, Inc.	Princeton	Mercer
	Agile Therapeutics, Inc.	Princeton	Mercer
	Angel Medical Systems, Inc.	Tinton Falls	Monmouth
	Arable Labs Inc.	Princeton	Mercer
	Avlino Inc.	Holmdel	Monmouth
	Bellerophon Therapeutics, Inc.	Warren	Somerset
	Brilliant Light Power, Inc.	Cranbury	Middlesex
	Cancer Genetics, Inc.	Rutherford	Bergen
	CircleBlack, Inc.	Princeton	Mercer
	ContraVir Pharmaceuticals, Inc.	Edison	Middlesex
	CRESCENTA BIOSCIENCES INC	Princeton	Mercer
	CytoSorbents Medical, Inc.	Monmouth Junction	Middlesex
	Edge Therapeutics, Inc.	Berkeley Heights	Union
	Elite Laboratories, Inc.	Northvale	Bergen
	Enhatch Inc.	Hoboken	Hudson
	Eos Energy Storage	Edison	Middlesex
	Flowonix Medical Incorporated	Mt. Olive	Morris
	FUSAR	Kearny	Hudson
	Hemispherx Biopharma, Inc.	New Brunswick	Middlesex
	I.D Systems, Inc.	Woodcliff Lake	Bergen
	Impactivate Networks, Inc.	Atlantic City	Atlantic
	Matinas Biopharma Nanotechnologies	Bedminster	Somerset
	MDx Medical, Inc. dba Vitals	Lyndhurst	Bergen
	Miami International Holdings, Inc	Princeton	Mercer
	Mobly	Livingston	Essex
	Nanotech Industrial Solutions	Avenel	Middlesex
	Nephros, Inc.	River Edge	Bergen
	Ocean Power Technologies, Inc.	Pennington	Mercer
	Oncobiologics, Inc.	Cranbury	Middlesex
	Rive Technology, Inc.	Monmouth Junction	Middlesex
	Sight Logix, Inc. fka Automated Threat Detection	Princeton	Mercer
	Solidia Technologies, Inc	Piscataway	Middlesex
	Soligenix, Inc.	Princeton	Mercer
	Svelte Medical Systems, Inc.	New Providence	Union
	Teleran Technologies, Inc.	Fairfield	Essex
	United Silicon Carbide, Inc.	Monmouth Junction	Middlesex
	VectraCor	Totowa	Passaic
	Voxware, Inc.	Hamilton	Mercer
TOTAL	39	\$46,204,131.00	

2017 Project List



	Company	Angel Investment:	Total Investment Amount	Total Tax Credit Approved for Angel Investors
ANGEL INVESTOR TAX CREDIT PROGRAM 2017 INVESTMENT ACTIVITY	Acuitive Technologies, Inc.	10	\$2,045,000	\$204,500
	Admera Health LLC	2	\$5,000,000	\$500,000
	AeroFarms	1	\$1,000,000	\$100,000
	Astarte Medical Partners Inc	2	\$130,000	\$13,000
	Aucta Pharmaceuticals, LLC	2	\$4,000,000	\$400,000
	BackEndB.com LLC	9	\$470,000	\$47,000
	Bergen Medical	2	\$150,000	\$15,000
	BioAegis Therapeutics Inc.	11	\$625,002	\$62,500
	Chromis Fiberoptics, Inc.	1	\$100,000	\$10,000
	CircleBlack, Inc	4	\$402,000	\$40,200
	Coriell Life Sciences	13	\$825,000	\$82,500
	Crescenta Biosciences Inc.	1	\$749,960	\$74,996
	D3UC LLC	6	\$225,000	\$22,500
	Energy Technology Savings Inc.	27	\$2,892,840	\$289,284
	Eos Energy Storage LLC	17	\$21,455,336	\$2,145,534
	Etrainx LLC	3	\$125,000	\$12,500
	Futurestay, Inc	3	\$85,000	\$8,500
	Innovaci Inc	11	\$925,000	\$92,500
	Inpena Inc.	2	\$275,000	\$27,500
	Inspirit Group, LLC	15	\$2,284,292	\$228,429
	iQ4 Corporation	1	\$1,800,000	\$180,000
	Kiswe Mobile Inc.	2	\$3,400,011	\$340,001
	Kovid Inc	3	\$1,000,000	\$100,000
	LugTrack LLC	4	\$325,000	\$32,500
	Lumeta Corporation	37	\$5,815,429	\$581,543
	Matinas Biopharma Holdings Inc.	1	\$937,500	\$93,750
	Nevakar, LLC	15	\$16,253,500	\$1,625,350
	Novitium Pharma, LLC	8	\$13,067,599	\$1,306,760
	Oncogenics, LLC	1	\$5,000,000	\$500,000
	OpenDoor Securities LLC	1	\$250,000	\$25,000
	Princeton Infared Technologies	3	\$504,012	\$50,401
	Quixgen, Inc.	3	\$459,108	\$45,911
	Reflik	4	\$1,150,325	\$115,033
	Solaris Pharma Corporation	2	\$1,799,999	\$180,000
	Svelte Medical Systems, Inc.	1	\$100,000	\$10,000
	TAXIS Pharmaceuticals	8	\$1,578,469	\$157,847
	Tenna, LLC	1	\$2,221,836	\$222,184
	Turnpoint Medical Devices Inc.	9	\$1,247,500	\$124,750
	VClinBio	10	\$11,112,638	\$1,111,264
	39 companies	256 investments	\$111,787,356	\$11,178,736

2017 Project List



INVESTMENT INSIGHTS
NEW JERSEY
FOUNDERS & FUNDERS
 FOR NJ INNOVATORS

	Event Date	Investors	Companies	Meetings Organized
NEW JERSEY FOUNDERS & FUNDERS EVENT ACTIVITY	6/10/2014	21	32	190
	9/17/2014	19	30	220
	3/10/2015	21	30	300
	10/27/2015	20	29	193
	5/4/2016	23	31	222
	10/26/2016	18	26	194
	4/27/2017	18	27	204
	12/6/2017	18	20	140
TOTAL		158	225	1663

NJ Founders & Funders is organized by the NJEDA Technology & Life Sciences (TLS) team to facilitate warm introductions between emerging New Jersey TLS companies and sophisticated angel & institutional investors. Hosted twice per year, venture capital investors are invited to meet with a select group of companies for 10-minute, one-on-one sessions to discuss strategy, business models and funding opportunities.

For more information on NJ Founders & Funders, including how to register to attend, please visit <https://application.njeda.com/tls/>



Certifications Pursuant to E.O. 37

August 10, 2018

In accordance with Executive Order No. 37, the New Jersey Economic Development Authority's 2017 Annual Report also serves as the comprehensive report of the Authority's operations. This report highlights the significant action of the Authority for the year, including the degree of success the EDA had in promoting the State's economic growth strategies and other policies.

The report of independent auditors, Ernst & Young, dated July 16, 2018, is attached and completes the EDA's requirements concerning the preparation of a comprehensive report required by Executive Order No. 37.

I, Tim Sullivan, certify that during 2017, the Authority has, to the best of my knowledge, followed all of the Authority's standards, procedures and internal controls.

I further certify that the financial information provided to the auditor in connection with the audit is, to the best of my knowledge, accurate and that such information, to the best of my knowledge, fairly represents the financial condition and operational results of the Authority for the year in question.



Tim Sullivan
EDA CEO

I, Richard LoCascio, certify that the financial information provided to the auditor in connection with the audit is, to the best of my knowledge, accurate and that such information, to the best of my knowledge, fairly represents the financial condition and operational results of the Authority for the year in question.



Richard LoCascio, CPA
Controller

FINANCIAL STATEMENTS

New Jersey Economic Development Authority
Years Ended December 31, 2017 and 2016
With Report of Independent Auditors

Ernst & Young LLP



Building a better
working world

New Jersey Economic Development Authority
(a component unit of the State of New Jersey)

Financial Statements

Years Ended December 31, 2017 and 2016

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Report of Independent Auditors

The Management and Members of the Authority
New Jersey Economic Development Authority

We have audited the accompanying financial statements of the New Jersey Economic Development Authority (the “Authority”), a component unit of the State of New Jersey, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Adoption of New Accounting Pronouncement

As discussed in Note 2 to the financial statements, as of January 1, 2016, the Authority adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Plans Other Than Pension Plans*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis, the schedule of changes in the total postemployment benefits other than pensions (OPEB) liability and related ratios, the schedule of the Authority's OPEB contributions, the schedule of the Authority's proportionate share of the net pension liability and the schedule of the Authority's contributions to the Public Employees' Retirement System (PERS) as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst & Young LLP

July 16, 2018

New Jersey Economic Development Authority
(a component unit of the State of New Jersey)

Management's Discussion and Analysis

Years Ended December 31, 2017 and 2016

This section of the New Jersey Economic Development Authority's ("Authority" or "NJEDA") annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal years ended on December 31, 2017 and 2016. Please read it in conjunction with the Authority's financial statements and accompanying notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of three parts: Management's Discussion and Analysis, the basic financial statements, and required supplementary information. The Authority is a self-supporting entity and follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short- and long-term financial information about the activities and operations of the Authority. These statements are presented in a manner similar to a private business engaged in such activities as real estate development, investment banking, commercial lending, construction management and consultation. While detailed sub-fund information is not presented, separate accounts are maintained for each program or project to control and manage money for particular purposes or to demonstrate that the Authority is properly using specific appropriations, grants and bond proceeds.

2017 FINANCIAL HIGHLIGHTS

- The Authority's total net position decreased \$11.0 million (or 2.1%).
- The net pension liability decreased \$11.9 million (or 17.8%) due to a change in the Authority's proportionate share of the State of New Jersey's net pension liability.
- Finance fees increased \$8.0 million (or 61.9%) due largely to an increased volume of activity in the Grow NJ incentive program the Authority administers.
- Other revenue decreased \$20.4 million (or 58.4%) as one-time distributions received in 2016 from specific venture fund investments in which the Authority is a limited partner did not recur in the current year.
- Salaries and Benefits expenses decreased \$2.1 million (or 6.4%) due to a reduction in recognized pension expense from the prior year.
- Loss provisions expense – net increased \$13.2 million (or 224.8%) as new loan disbursements exceeded repayments during the year, including financings related to the

Sandy Business Loan Program, as well as the Fort Monmouth Economic Revitalization Authority.

- State appropriations increased \$7.3 million (or 37.1%) due largely to receipt of funding to administer the Hazardous Discharge Site Remediation Fund program offerings.
- The Authority early adopted GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during fiscal year 2017. The Authority's Net Position as of January 1, 2016 and December 31, 2016 and the Statement of Revenues, and Expenses and Changes in Net Position for December 31, 2016 have been restated to reflect the required adjustments.

2016 FINANCIAL HIGHLIGHTS

- The Authority's total net position increased \$7.9 million (or 1.5%).
- The net pension liability increased \$18.3 million (or 37.6%) due to a change in the Authority's proportion of the State of New Jersey's net pension liability and an increase in the overall liability.
- Operating lease revenue decreased \$0.87 million (or 7.9%) due to the sale of the Waterfront Technology Center at Camden ("WTCC") during the year.
- Other revenue increased \$20.2 million (or 135.9%) due largely to distributions received from specific venture fund investments in which the Authority is a limited partner.
- Gain on sale of assets – net increased \$5.6 million (or 100.0%) due to the sale of the WTCC.
- Salaries and Benefits expenses decreased \$2.5 million (or 7.2%) as additional contributions made to the employee Post Employment Benefit Trust, which occurred in 2015, did not recur in 2016.
- Loss (recovery) provisions expense – net decreased \$8.0 million (or 375.5%) due to scheduled paydowns, as well as early payoffs in the loan portfolio, along with those repayments exceeding new loan disbursements.
- Program payments increased \$35 million (or 91.5%) due largely to disbursements to applicants under the Superstorm Sandy program.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Position. The following table summarizes the changes in Net Position at December 31, 2017, 2016 and 2015:

	2017	2016** <i>(As Restated)</i>	2015* <i>(As Restated)</i>	% Increase/(Decrease)	
				2017/2016	2016/2015
Assets:					
Other assets	\$ 519,821,772	\$ 519,596,570	\$ 490,368,781	0.0%	6.0%
Capital assets, net	<u>61,964,015</u>	<u>67,308,976</u>	<u>86,152,710</u>	(7.9)%	(21.9)%
Total assets	<u>581,785,787</u>	<u>586,905,546</u>	<u>576,521,491</u>	(0.9)%	1.8%
Deferred outflows of resources:					
Deferred outflow related to pension	24,053,182	29,472,454	18,728,245	(18.4)%	57.4%
Deferred outflow related to OPEB	<u>1,160,185</u>	<u>694,594</u>	<u>–</u>	67.0%	100.0%
Total deferred outflows of resources	<u>25,213,367</u>	<u>30,167,048</u>	<u>18,728,245</u>	(16.4)%	61.1%
Liabilities:					
Current Liabilities	15,162,524	12,509,607	12,093,809	21.2%	3.4%
Net Pension Liability	55,148,355	67,068,246	48,740,925	(17.8)%	37.6%
Other Noncurrent Liabilities	<u>15,121,883</u>	<u>16,009,456</u>	<u>20,034,900</u>	(5.5)%	(20.1)%
Total liabilities	<u>85,432,762</u>	<u>95,587,309</u>	<u>80,869,634</u>	(10.6)%	18.2%
Deferred inflows of resources:					
Deferred inflow related to pension	<u>11,069,760</u>	<u>–</u>	<u>783,660</u>	100.0%	(100.0)%
Net position:					
Net investment in capital assets	59,699,588	58,100,060	82,856,031	2.8%	(29.9)%
Restricted	33,454,700	33,287,850	22,583,026	0.5%	47.4%
Unrestricted	<u>417,342,344</u>	<u>430,097,375</u>	<u>408,157,385</u>	(3.0)%	5.4%
Total net position	<u>\$ 510,496,632</u>	<u>\$ 521,485,285</u>	<u>\$ 513,596,442</u>	(2.1)%	1.5%

* Includes blended component unit, (Refer to Note 1)

** Restated based on implementation of GASB 75

During 2017, the Authority's combined net position decreased \$11.0 million (or 2.1%) due to:

- \$ (9.6) Million Hazardous Discharge Site Remediation Fund (“HDSRF”) disbursements – net of appropriations received
- \$ (6.0) Million Return of unused program payments to State for discontinued programs
- \$ (3.3) Million Municipal Economic Recovery Initiative grant award payments
- \$ 11.7 Million Net receipts from CDBG-Disaster Recovery funds for the Stronger NJ Business programs
- \$ (3.8) Million Net disbursements relating to other Authority programs

During 2016, the Authority's combined net position increased \$7.9 million (or 1.5%) due to:

- \$ (4.8) Million Petroleum Underground Storage Tank ("PUST") grant award payments and loan disbursements – net of appropriations received
- \$ (17.4) Million Hazardous Discharge Site Remediation Fund ("HDSRF") disbursements
- \$ (12.0) Million Return of unused program payments to State for discontinued programs
- \$ (1.5) Million Municipal Economic Recovery Initiative grant award payments
- \$ 22.9 Million Net receipts from CDBG-Disaster Recovery funds for the Stronger NJ Business programs
- \$ 10.8 Million Net receipts from the State relating to State Small Business Credit Initiative Program ("SSBCI")
- \$ 9.9 Million Net receipts relating to other Authority programs

Operating Activities. The Authority charges financing fees that may include an application fee, commitment fee, closing fee, document execution fee and an annual servicing fee. The Authority also charges an agency fee for the administration of financial programs for various government agencies; a program service fee for the administration of Authority programs that are service-provider based, rather than based on the exchange of assets such as the commercial lending program; and a real estate development fee for real estate activities undertaken on behalf of governmental entities and commercial enterprises. The Authority may also generate a return on investments in venture capital funds which invest, in whole or in part, in New Jersey based businesses. Interest income on investments, notes and intergovernmental obligations is recognized as earned. Grant revenue is earned when the Authority has complied with the terms and conditions of the grant agreements. The Authority also earns income from operating leases and interest income on lease revenue from capital lease financings. Late fees are charged to borrowers delinquent in their monthly loan payments. All forms of revenue accrue to the benefit of the program for which the underlying source of funds is utilized. The Authority considers all activity to be operating activities, except as described in the following section.

Non-Operating Activities. The Authority earns interest on idle cash and investments, and may derive income from the sale of capital assets, as well as the receipt of state and federal appropriations which are used to administer specific programs on behalf of the State of New Jersey, and which directly benefit New Jersey based businesses. The Authority considers this activity to be non-operating in nature.

The following table summarizes the changes in operating and non-operating activities between fiscal years 2017, 2016 and 2015:

	2017	2016*** <i>(As Restated)</i>	2015* <i>(As Restated)</i>	% Increase/(Decrease)	
				2017/2016	2016/2015
Operating revenues:					
Financing fees	\$ 20,885,394	\$ 12,900,490	\$ 13,117,822	61.9%	(1.7)%
Lease revenue	9,499,357	10,195,935	11,066,759	(6.8)%	(7.9)%
Interest income:					
Notes	5,133,351	5,148,779	5,014,739	(0.3)%	2.7%
Other	14,584,475	35,033,121	14,847,756	(58.4)%	135.9%
Total operating revenues	50,102,577	63,278,325	44,047,076	(20.8)%	43.7%
Operating expenses:					
Administrative expenses	35,798,608	37,918,707	39,647,125	(5.6)%	(4.4)%
Interest expense	120,438	198,803	346,079	(39.4)%	(42.6)%
Depreciation	5,318,830	6,013,587	6,616,729	(11.6)%	(9.1)%
Loss (recovery) provisions – net	7,340,180	(5,879,419)	2,134,193	224.8%	(375.5)%
Program costs	7,550,307	7,297,282	7,950,955	3.5%	(8.2)%
Total operating expenses	56,128,363	45,548,960	56,695,081	23.2%	(19.7)%
Operating (loss) income	(6,025,786)	17,729,365	(12,648,005)	(134.0)%	240.2%
Nonoperating revenues and (expenses):					
Interest income – investments	3,175,991	2,324,584	1,696,602	36.6%	37.0%
State appropriations	27,008,772	19,703,582	14,069,332	37.1%	40.0%
Program payments	(76,876,079)	(73,268,795)	(38,263,793)	4.9%	91.5%
Federal appropriations	42,618,873	44,240,190	49,170,712	(3.7)%	(10.0)%
Gain on sale of assets	–	5,642,596	–	(100.0)%	100.0%
Other expense	(890,424)	(209,574)	(421,545)	(324.9)%	50.3%
Total nonoperating revenues and (expenses), net	(4,962,867)	(1,567,417)	26,251,308	216.6%	(106.0)%
Income before special item	(10,988,653)	16,161,948	13,603,303	(168.0)%	18.8%
CCURLP dissolution	–	(6,373,105)	–	100.0%	(100.0)%
Change in net position	(10,988,653)	9,788,843	13,603,303	(212.3)%	(28.0)%
Beginning net position	521,485,285***	511,696,442***	499,993,139**		
Ending net position	\$ 510,496,632	\$ 521,485,285	\$ 513,596,442		

* Includes blended component unit, (Refer to Note 1)

** Restated for GASB 68/71

*** Restated for implementation of GASB 75

Operating Revenues

In 2017, the Authority's operating revenues were positively impacted by the receipt of \$20.9 million in financing fees, led by activity in the bond and incentive programs. Other operating revenues were favorably impacted by the receipt of \$7.3 million in venture fund distributions and warrants resulting from the Authority's capital investments. Overall, operating revenues decreased by \$13.2 million, as one-time revenues received in 2016, did not recur in the current year. These included a \$10.8 million grant, which was the final tranche of the SSBCI financing program.

Operating Expenses

In 2017, total operating expenses increased by \$10.6 million as a decrease of \$2.1 million in administrative expenses, coupled with a decrease of \$0.7 million in depreciation expense offset an increase of \$13.2 million in loss provision expense. The increase in loss provision expense – net relates to new disbursements exceeding loan repayments during the year. The \$11.1 million decrease in 2016, in total operating expenses, was due largely to a decrease in salary and benefits as a result of the Authority making additional contributions to its employee Post Employment Benefit Trust and additional pension expense, in the prior year, which it did not replicate in 2017. In addition, 2016 loss provisions expense-net was impacted by distributions from specific venture capital funds the Authority invests in as a limited partner, which did not recur in 2017.

Non-Operating Revenues and Expenses – Net

In 2017, non-operating revenues and expenses – net, decreased by \$3.4 million and decreased by \$27.8 million in 2016. This was largely due to the fluctuation in Federal and State appropriations offset by program payments. In 2017, the Authority disbursed \$76.9 million in program payments to qualified applicants, primarily under the Stronger NJ Business programs; in 2016, total program payments were \$73.3 million. The 2016 gain on the sale of the WTCC amounted to \$5.6 million and was a one-time revenue source.

Allowance for Credit Losses

Allowances for doubtful notes and guarantee payments are determined in accordance with guidelines established by the Office of the Comptroller of the Currency. The Authority accounts for its potential loss exposure through the use of risk ratings. These specifically assigned risk ratings are updated to account for changes in financial condition of the borrower or guarantor, delinquent payment history, loan covenant violations, and changing economic conditions.

The assigned risk rating classifications are consistent with the ratings used by the Office of the Comptroller of the Currency. Each risk rating is assigned a specific loss factor in accordance with the severity of the classification. Each month an analysis is prepared using the current loan balances, existing exposure on guarantees, and the assigned risk rating to determine the adequacy of the reserve. Any adjustments needed to adequately provide for potential credit losses (recoveries) are reported as a Loss Provision (Recovery).

The following table summarizes the Loan Allowance activity for the end of the period from December 31, 2015 through December 31, 2017:

2015 Provision for credit losses-net	\$ 6,807,326	
2015 Write-offs	(2,503,606)	\$ 4,303,720
December 31, 2015		
Allowance for loan losses	24,190,532	
Accrued guarantee losses	1,382,681	
Total allowance		25,573,213
2016 Provision for credit losses-net	1,685,744	
2016 Write-offs	(5,884,943)	(4,199,199)
December 31, 2016		
Allowance for loan losses	20,197,740	
Accrued guarantee losses	1,176,274	
Total allowance		21,374,014
2017 Provision for credit losses-net	5,934,408	
2017 Write-offs	(1,147,121)	4,787,287
December 31, 2017		
Allowance for loan losses	25,276,561	
Accrued guarantee losses	884,741	
Total allowance		<u>\$ 26,161,302</u>

The Authority's write-down and loan loss reserve policies closely align with the reporting requirements of the banking industry. When management determines that the probability of collection is less than 50% of the remaining balance, it is the policy to assign a Loss rating to the account. For an account rated as loss, a loss provision is recognized for the entire loan balance.

Loans are written-off against the loss allowance when it is determined that the probability of collection within the near term is remote. The recognition of a loss does not automatically release the borrower from the obligation to pay the debt. Should the borrower, guarantors, or collateral position improve in the future, any and all steps necessary to preserve the right to collect these obligations will be taken.

Aggregate gross loan and guarantee exposure at December 31, 2017 was \$213,927,006, of which \$199,204,002 or 93% is for loans and \$14,723,004 for issued loan guarantees.

Aggregate gross loan and guarantee exposure at December 31, 2016 was \$206,972,076, of which \$190,407,862 or 92% is for loans and \$16,564,394 for issued loan guarantees.

At December 31, 2017 the Authority maintained a Credit Loss Allowance of \$26,161,302 or 12.2% of total exposure to cover potential losses in the loan and guaranty portfolio. Total write-offs for the year ended December 31, 2017, were \$1,147,121 or 0.5% of the loan and guaranty exposure.

At December 31, 2016 the Authority maintained a Credit Loss Allowance of \$21,374,014 or 10.4% of total exposure to cover potential losses in the loan and guaranty portfolio. Total write-offs for the year ended December 31, 2016, were \$5,884,943 or 2.8% of the loan and guaranty exposure.

The Authority is a limited partner in various early stage venture funds with the purpose of providing venture capital to exceptionally talented entrepreneurs to facilitate the growth of these companies. These investments are accounted for using the cost basis as they do not have a readily determinable market value. The Authority will establish a valuation allowance for these investments when they determine through a series of events that an other than temporary decrease in value has occurred.

The 2017 Loss Provisions – Net, of \$6.6 million, are related to the following detailed information:

\$ 5,934,408	Loan and Guarantee Program activity
\$ 677,507	Venture Capital Funds and Capital Investments

The 2016 Loss Provisions (Recapture) – Net, of \$(5.9 million), are related to the following detailed information:

\$ 1,685,744	Loan and Guarantee Program activity
\$ (7,594,597)	Venture Capital Funds and Capital Investments

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The Authority independently, or in cooperation with a private or governmental entity, acquires, invests in and/or develops vacant industrial sites, existing facilities, unimproved land, equipment and other real estate for private or governmental use. Sites developed, and equipment purchased for private use are marketed or leased to businesses that will create new job opportunities and tax ratables for the municipalities. Sites are developed for governmental use for a fee and also may be leased to the State or State entities. For the majority of these leases, future minimum lease rental payments are equal to the debt service payments related to the bonds or notes issued for the applicable property.

The following table summarizes the change in Capital Assets-Net between fiscal year 2017, 2016 and 2015:

	2017	2016	2015	% Increase/(Decrease)	
				2017/2016	2016/2015
Land	\$ 28,983,065	\$ 28,983,065	\$ 28,983,065	0.0%	0.0%
Construction in progress	240,951	-	-	100.0%	0.0%
Total non-depreciable capital assets	29,224,016	28,983,065	28,983,065	0.8%	0.0%
Building	81,722,446	86,479,970	98,343,729	(5.5)%	(12.1)%
Leasehold improvements	34,933,205	34,933,205	47,195,145	0.0%	(26.0)%
Total depreciable capital assets	116,655,651	121,413,175	145,538,874	(3.9)%	(16.6)%
Less accumulated depreciation	(83,915,652)	(83,087,264)	(88,369,229)	1.0%	(6.0)%
Capital assets – net	\$ 61,964,015	\$ 67,308,976	\$ 86,152,710	(7.9)%	(21.9)%

More detailed information about the Authority's capital assets is presented in the Notes to the financial statements.

Capital Debt. At year end, the Authority had \$1,126,654 of gross note principal outstanding; a net decrease of 50.2%, due to the paydown of notes related to two properties in the City of Camden, New Jersey. More detailed information about the Authority's capital debt is presented in the Notes to the financial statements.

The following table summarizes the changes in capital debt between fiscal year 2017, 2016 and 2015:

	2017	2016	2015	% Increase/(Decrease)	
				2017/2016	2016/2015
Notes payable	\$ 1,126,654	\$ 2,264,426	\$ 9,296,679	(50.2)%	(75.6)%

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide New Jersey citizens, and our customers, clients, investors and creditors, with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the appropriations and grants that it receives. If you have questions about this report or need additional information, contact Customer Care at (609) 858-6700, CustomerCare@njeda.com, NJEDA, P.O. Box 990, Trenton, NJ 08625-0990, or visit our web site at: www.njeda.com.

New Jersey Economic Development Authority
(a component unit of the State of New Jersey)

Statements of Net Position

	December 31	
	2017	2016
Assets		
Current assets:		
Cash and cash equivalents – restricted	\$ 55,193,210	\$ 69,805,023
Cash and cash equivalents – unrestricted	35,574,883	31,236,525
Investments	75,898,430	79,224,522
Receivables:		
Notes	12,267,946	14,112,512
Accrued interest on notes	188,041	528,437
Accrued interest on investments	909,859	759,087
Leases	100,000	100,000
Other receivables	5,690,651	1,907,548
Total receivables	19,156,497	17,407,584
Prepays and other current assets	1,029,538	1,162,484
Total current assets	186,852,558	198,836,138
Noncurrent assets:		
Investments – unrestricted	148,847,798	143,974,480
Venture capital partnerships	9,797,772	8,906,724
Receivables:		
Notes	186,936,056	175,935,170
Accrued interest on notes	5,439,144	5,155,435
Unamortized discount	(338,891)	(392,752)
Total notes receivables	192,036,309	180,697,853
Allowance for doubtful notes	(25,276,561)	(20,197,740)
Net notes receivable	166,759,748	160,500,113
Leases receivable, net	6,791,060	6,772,046
Total receivables	173,550,808	167,272,159
Prepays and other noncurrent assets	772,836	607,069
Non-depreciable capital assets	29,224,016	28,983,065
Depreciable capital assets, net	32,739,999	38,325,911
Total capital assets, net	61,964,015	67,308,976
Total noncurrent assets	394,933,229	388,069,408
Total assets	581,785,787	586,905,546
Deferred outflows of resources		
Deferred outflows from pension	24,053,182	29,472,454
Deferred outflows from OPEB	1,160,185	694,594
Total deferred outflows of resources	25,213,367	30,167,048

New Jersey Economic Development Authority
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Statements of Net Position (continued)

	December 31	
	2017	2016
Liabilities		
Current liabilities:		
Accrued liabilities	\$ 6,706,864	\$ 6,661,218
Pension payable	2,194,698	2,011,757
Unearned lease revenues	1,430,185	1,265,425
Escrow deposits	3,704,123	1,568,182
Notes payable	1,126,654	973,415
Accrued interest payable	–	29,610
Total current liabilities	15,162,524	12,509,607
Net pension liability	55,148,355	67,068,246
Other postemployment benefits liability	5,306,586	3,599,309
Notes payable	–	1,291,011
Unearned lease revenues	7,903,859	8,957,707
Accrued guarantee losses	884,741	1,176,274
Compensated absences	1,026,697	985,155
Total noncurrent liabilities	70,270,238	83,077,702
Total liabilities	85,432,762	95,587,309
Deferred inflows of resources		
Deferred inflows from pension	11,069,760	–
Net position		
Net investment in capital assets	59,699,588	58,100,060
Restricted by Federal agreement	33,454,700	33,287,850
Unrestricted	417,342,344	430,097,375
Total net position	\$ 510,496,632	\$ 521,485,285

See accompanying notes.

New Jersey Economic Development Authority
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Statements of Revenues, Expenses and Changes in Net Position

	Year Ended December 31	
	2017	2016
Operating revenues		
Financing fees	\$ 20,885,394	\$ 12,900,490
Interest income – notes	5,133,351	5,148,779
Financing lease revenue	119,014	119,014
Operating lease revenue	9,380,343	10,076,921
Agency fees	2,169,292	2,135,575
Program services	1,845,350	746,064
Real estate development	1,392,300	905,234
Distributions and warrants	7,312,048	19,196,536
Grant revenue	134,453	10,831,972
Other	1,731,032	1,217,740
Total operating revenue	<u>50,102,577</u>	<u>63,278,325</u>
Operating expenses		
Salaries and benefits	30,235,225	32,314,960
General and administrative	5,563,383	5,603,747
Interest	120,438	198,803
Program costs	7,550,307	7,297,282
Depreciation	5,318,830	6,013,587
Loss (recovery) provisions – net	7,340,180	(5,879,419)
Total operating expenses	<u>56,128,363</u>	<u>45,548,960</u>
Operating (loss) income	<u>(6,025,786)</u>	<u>17,729,365</u>
Nonoperating revenues and expenses		
Interest income – investments	3,175,991	2,324,584
Unrealized loss in investment securities	(890,424)	(209,574)
Gain on sale of assets – net	–	5,642,596
State appropriations	27,008,772	19,703,582
Federal appropriations	42,618,873	44,240,190
Program payments	(76,876,079)	(73,268,795)
Nonoperating expenses – net	<u>(4,962,867)</u>	<u>(1,567,417)</u>
(Loss) income before special item	<u>(10,988,653)</u>	16,161,948
Special item – CCURLP dissolution	–	(6,373,105)
Change in net position	<u>(10,988,653)</u>	9,788,843
Net position – beginning of year (restated for GASB 75)	<u>521,485,285</u>	<u>511,696,442</u>
Net position – end of year	<u>\$ 510,496,632</u>	<u>\$ 521,485,285</u>

See accompanying notes.

New Jersey Economic Development Authority
(a component unit of the State of New Jersey)

Statements of Cash Flows

	Year Ended December 31	
	2017	2016
Cash flows from operating activities		
Cash receipts from financing fees	\$ 20,895,019	\$ 13,504,141
Interest from notes	4,321,647	3,944,112
Lease rents	8,579,473	8,921,880
Grants	134,453	10,831,972
Agency fees	2,169,292	2,135,575
Program services	3,469,997	1,948,139
Distributions	4,213	653,951
Real estate development	1,060,579	550,536
General and administrative expenses paid	(29,784,588)	(27,941,489)
Program costs paid	(10,593,565)	(6,744,809)
Collection of notes receivable	20,788,490	30,895,182
Loans disbursed	(34,128,137)	(39,484,058)
Guarantee payments	(32,348)	-
Deposits received	29,606,908	21,317,197
Deposits released	(27,470,967)	(24,080,312)
Net cash used in operating activities	<u>(10,979,534)</u>	<u>(3,547,983)</u>
Cash flows from noncapital financing activities		
Payment of notes and bonds	-	(6,000,000)
Interest paid on notes and revenue bonds	(23,736)	(57,110)
Issuance and servicing costs paid	-	(5,926)
Appropriations received	65,123,434	57,100,754
Program payments	(69,215,432)	(66,208,964)
Net cash used in noncapital financing activities	<u>(4,115,734)</u>	<u>(15,171,246)</u>
Cash flows from capital and related financing activities		
Payment of bonds and notes	(1,137,772)	(1,032,252)
Interest paid on bonds and notes	(126,312)	(176,604)
Purchase of capital assets	(240,951)	-
Grant repayments related to capital asset sale	-	(1,863,246)
Sale of capital assets	-	18,472,744
Net cash (used in) provided by capital and related financing activities	<u>(1,505,035)</u>	<u>15,400,642</u>
Cash flows from investing activities		
Interest from investments	3,025,219	2,169,445
Return on capital investments	5,739,280	25,177,266
Purchase of investments	(2,604,320)	(2,096,514)
Proceeds from sales and maturities of investments	166,669	4,196,075
Net cash provided by investing activities	<u>6,326,848</u>	<u>29,446,272</u>
Net (decrease) increase in cash and cash equivalents	<u>(10,273,455)</u>	<u>26,127,685</u>
Cash and cash equivalents – beginning of year	<u>101,041,548</u>	<u>74,913,863</u>
Cash and cash equivalents – end of year	<u>\$ 90,768,093</u>	<u>\$ 101,041,548</u>

New Jersey Economic Development Authority
(a component unit of the State of New Jersey)

Statements of Cash Flows (continued)

	Year Ended December 31	
	2017	2016
Reconciliation of operating income (loss) to net cash used in operating activities		
Operating (loss) income	\$ (6,025,786)	\$ 17,729,365
Adjustments to reconcile operating (loss) income to net cash used in operating activities:		
Loss provisions-net	7,340,180	(5,879,419)
Depreciation	5,318,830	6,013,587
Amortization of discounts	(741,227)	(917,426)
Cash provided by nonoperating activities	150,048	239,640
Change in assets and liabilities:		
Notes receivables	(13,365,073)	(8,625,944)
Accrued interest receivables-notes	54,549	(369,424)
Lease payment receivables	100,000	100,000
Other receivables	(3,778,227)	2,260,160
Prepays and other noncurrent assets	(163,123)	176,973
Capital investments	(7,307,835)	(18,542,585)
Accrued liabilities	6,031,864	9,009,049
Unearned lease revenues	(889,088)	(1,336,917)
Accrued interest payables	(29,610)	(34,911)
Deposits	2,135,941	(2,763,115)
Other liabilities	189,023	(607,016)
Net cash used in operating activities	\$ (10,979,534)	\$ (3,547,983)
Noncash investing activities		
Unrealized loss in investment securities	\$ (890,424)	\$ (209,574)

See accompanying notes.

New Jersey Economic Development Authority
(a component unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2017 and 2016

Note 1: Nature of the Authority

The New Jersey Economic Development Authority (“Authority”) is a public body corporate and politic, constituting an instrumentality and component unit of the State of New Jersey (“State”). The Authority was established by Chapter 80, P.L. 1974 (“Act”) on August 7, 1974, as amended and supplemented, primarily to provide financial assistance to companies for the purpose of maintaining and expanding employment opportunities in the State and increasing tax rates in underserved communities. The Act prohibits the Authority from obligating the credit of the State in any manner. The Authority assists for-profit and non-profit enterprises with access to capital and primarily offers the following products and services:

(a) Bond Financing

The Authority issues tax-exempt private activity bonds and taxable bonds. The proceeds from these single issue or composite series bonds are used to provide long-term, below-market interest loans to eligible entities, which include certain 501(c)(3) nonprofit organizations, manufacturers, exempt public facilities, solid waste facilities, and local, county, and State governmental agencies for capital improvements including real estate acquisition, equipment, machinery, building construction and renovations. All such bonds are special conduit debt obligations of the Authority, are payable solely from the revenues pledged with respect to the issue, and do not constitute an obligation against the general credit of the Authority.

(b) Loans/Guarantees/Investments and Tax Incentives

The Authority directly provides loans, loan participations, loan guarantees and line of credit guarantees to for-profit and not-for-profit enterprises for various purposes to include: the acquisition of fixed assets; building construction and renovation; financing for working capital; technological development; and infrastructure improvements. The Authority also may provide financial assistance in the form of convertible debt, and take an equity position in technology and life sciences companies through warrant options. In addition to lending and investing its own financial resources, the Authority administers several business growth programs supported through State appropriation/allocation, including the technology business tax certificate transfer program, the angel investor tax credit program, tax credits for film industry and digital media projects, job creation and retention incentive grants and tax credits, tax credits for capital investment in urban areas, and reimbursement grants based on incremental revenues generated by redevelopment projects. Other state mandated programs include loans/grants to support hazardous discharge site remediation and petroleum underground storage tank remediation.

New Jersey Economic Development Authority
(a component unit of the State of New Jersey)

Notes to Financial Statements (continued)

Note 1: Nature of the Authority (continued)

(c) Real Estate Development

The Authority independently, or in cooperation with a private or another governmental entity, acquires, invests in and/or develops vacant industrial sites, existing facilities, unimproved land, equipment and other real estate for private or governmental use. Sites developed, and equipment purchased for private use are marketed or leased to businesses that will create new job opportunities and tax ratables for municipalities. Sites are developed for governmental use for a fee and also may be leased to the State or State entities.

(d) Stronger NJ Business Programs

In 2013, the Authority was awarded a sub-grant from the New Jersey Department of Community Affairs for the purpose of administering a portion of the State's Community Development Block Grant Disaster Recovery allocation to support the recovery of businesses impacted by Superstorm Sandy. To achieve this, the Authority may provide grants and loans to eligible businesses, as well as financial assistance to governmental entities to support community development, neighborhood revitalization and other public improvement projects.

Component Units

The financial statements include the accounts of the Authority and its blended component unit, the Camden County Urban Renewal Limited Partnership ("CCURLP"). All intercompany transactions and balances are eliminated.

CCURLP is a real estate joint venture which provides services for the exclusive benefit of the Authority. CCURLP is a Limited Partnership made up of two corporate entities, Bergen of New Jersey, Inc. and Aegis Camden Partners, Inc. Bergen has a 33.33% interest in CCURLP and Aegis has 66.67% interest in CCURLP. The Boards of all three entities are made up of Authority officers and CCURLP actions were subject to Authority Board approval. On January 30, 2014 the Authority and CCURLP entered into a sale agreement with Cooper's Ferry Partnership ("Cooper's") to sell the CCURLP building and the Authority's land. The purchase closed as of December 30, 2014. The proceeds from the sale were then used to defease the 2002 Series A and B Bonds. The Authority continued to have rights in the CCURLP entity as of December 31, 2014 as the related debt was not redeemed until February 2015. As of December 31, 2015, the entity continued to exist as a legally-separate entity, although was inactive during 2015. As the Board of

New Jersey Economic Development Authority
(a component unit of the State of New Jersey)

Notes to Financial Statements (continued)

Note 2: Summary of Significant Accounting Policies

(a) Basis of Accounting and Presentation

The Authority is a self-supporting entity and follows enterprise fund reporting; accordingly, the accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. While detailed sub-fund information is not presented, separate accounts are maintained for each program and include certain funds that are legally designated as to use. Administrative expenses are allocated to the various programs.

In its accounting and financial reporting, the Authority follows the pronouncements of the Governmental Accounting Standards Board (“GASB”).

(b) Revenue Recognition

The Authority charges various program financing fees that may include an application fee, commitment fee, closing fee, issuance fee, annual servicing fee and a document execution fee. The Authority also charges a fee for the administration of financial programs for various government agencies and for certain real estate development and management activities. Fees are recognized when earned. Grant revenue is recognized when the Authority has complied with the terms and conditions of the grant agreements. The Authority recognizes interest income on lease revenue by amortizing the discount over the life of the related agreement. Operating lease revenue is recognized pursuant to the terms of the lease.

When available, it is the Authority’s policy to first use restricted resources for completion of specific projects.

(c) Cash Equivalents

Cash equivalents are highly liquid debt instruments with original maturities of three months or less and units of participation in the State of New Jersey Cash Management Fund (“NJCMF”).

(d) Investments

All investments, except for investment agreements, are stated at fair value. The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. The Authority also invests in various types of joint

New Jersey Economic Development Authority
(a component unit of the State of New Jersey)

Notes to Financial Statements (continued)

Note 2: Summary of Significant Accounting Policies (continued)

ventures and uses the cost method to record the acquisition of such investments, as the Authority lacks the ability to exercise significant control in the ventures. Under the cost method, the Authority records the investment at its historical cost and recognizes as income dividends received from net earnings of the Fund. Dividends received in excess of earnings are considered a return of investment and reduce the cost basis. These investments typically have a long time horizon from when the Authority makes its initial investment to when it may receive any return on the investment. The Authority maintains a valuation allowance on specific investments when there is either a series of taxable losses or other factors may indicate that a decrease in value has occurred that is other than temporary. Capital investments are reported net of this valuation allowance.

(e) Guarantees Receivable

Payments made by the Authority under its various guarantee programs are reported as Guarantees Receivable. These receivables are expected to be recovered either from the lender, as the lender continues to service the loan, or from the liquidation of the underlying collateral. Recoveries increase Worth (see Note 8).

(f) Allowance for Doubtful Notes and Accrued Guarantee Losses

Allowances for doubtful notes and accrued guarantee losses are determined in accordance with guidelines established by the Office of Comptroller of Currency. These guidelines include classifications based on routine portfolio reviews of various factors that impact collectability.

(g) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Jersey Public Employee Retirement System (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

New Jersey Economic Development Authority
(a component unit of the State of New Jersey)

Notes to Financial Statements (continued)

Note 2: Summary of Significant Accounting Policies (continued)

(h) Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Employee Benefit Trust (the “Trust”) and additions to/deductions from the Trust’s fiduciary net position have been determined on the same basis as they are reported by the Trust. For this purpose, the Trust recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(i) Operating and Non-Operating Revenues and Expenses

The Authority defines operating revenues and expenses as relating to activities resulting from providing bond financing, direct lending, incentives, and real estate development to commercial businesses, certain not-for-profit entities, and to local, county and State governmental entities. Non-operating revenues and expenses include income earned on the investment of funds, proceeds from the sale of certain assets, State and Federal appropriations and program payments.

(j) Net Position

The Authority classifies its Net Position into three categories: net investment in capital assets; restricted; and unrestricted. Net investment in capital assets includes capital assets net of accumulated depreciation used in the Authority’s operations as well as capital assets that result from the Authority’s real estate development and operating lease activities. Restricted net position include net position that have been restricted in use in accordance with State law, as well as Federal grant proceeds intended for specific projects, such as the State Small Business Credit Initiative (“SSBCI”). Unrestricted net position include all net position not included above.

(k) Taxes

The Authority is exempt from all Federal and State income taxes and real estate taxes.

(l) Capitalization Policy

Unless material, it is the Authority’s policy to expense all expenditures of an administrative nature. Administrative expenditures typically include expenses directly incurred to support staff

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Notes to Financial Statements (continued)

Note 2: Summary of Significant Accounting Policies (continued)

operations, such as automobiles, information technology hardware and software, office furniture, and equipment.

With the exception of immaterial tenant fit-out costs of retail space that is sublet from the State of New Jersey, the Authority capitalizes all expenditures related to the acquisition of land, construction and renovation of buildings.

(m) Depreciation Policy

Capital assets are stated at cost. Depreciation is computed using the straight-line method over the following estimated economic useful lives of the assets:

Building	20 years
Building improvements	20 years
Leasehold improvements	Term of the lease
Tenant fit-out	Term of the lease
Vehicles	Expensed
Furniture and equipment	Expensed

(n) New Accounting Standards Adopted

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued in June 2015. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of both Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The scope of this Statement addresses accounting

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Notes to Financial Statements (continued)

Note 2: Summary of Significant Accounting Policies (continued)

and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a non-employer entity provides financial support for OPEB of employees of another entity. In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and non-employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, non-employer contributing entities, the OPEB plan administrator, and the plan members.

The Statement is effective for fiscal years beginning after June 15, 2017; however, the Authority has elected early adoption of this Statement during fiscal year 2017, effective January 1, 2016. The Authority's Net Position as of January 1, 2016 and December 31, 2016 and the Statement of Revenues, and Expenses and Changes in Net Position for December 31, 2016 have been restated to reflect the required adjustments.

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Notes to Financial Statements (continued)

Note 2: Summary of Significant Accounting Policies (continued)

As a result, the following restatements have been made to the Authority's financial statements.

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>Restated</u>
As of January 1, 2016			
Net position	\$ 513,596,442	\$ (1,900,000)	\$ 511,696,442
For year ended December 31, 2016			
Salaries and benefits	31,310,245	1,004,715	32,314,960
Operating expenses	44,544,245	1,004,715	45,548,960
Operating income	18,734,080	(1,004,715)	17,729,365
Change in net position	10,793,558	(1,004,715)	9,788,843
As of December 31, 2016			
Other postemployment benefits liability (GASB 75)	–	3,599,309	3,599,309
Deferred outflow of resources from OPEB	–	694,594	694,594
Net position	524,390,000	(2,904,715)	521,485,285

Government Accounting Standards Board (“GASB”) Statement No. 85, *Omnibus 2017*, was issued in March 2017. The primary objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The various topics that may pertain to the Authority's financial reporting include: blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation, measuring certain money market investments and participating interest-earning investment contracts at amortized cost, timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus, and classifying employer-paid member contributions for OPEB.

The Statement is effective for fiscal years beginning after June 15, 2017; however the Authority elected early adoption in 2017. The adoption of this Statement did not have a significant impact on the Authority's financial statements.

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Notes to Financial Statements (continued)

Note 2: Summary of Significant Accounting Policies (continued)

(n) Recent and Upcoming Accounting Pronouncements

GASB Statement No. 84, *Fiduciary Activities*, was issued in January 2017. The primary objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The Statement is effective for fiscal years beginning after December 15, 2018. The Authority is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment*, was issued in May 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance in which cash and other monetary assets acquired with only existing resources (resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the sole-purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The Statement is effective for fiscal years beginning after June 15, 2017. The Authority is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 87, *Leases*, was issued in June 2017. The primary objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources

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Notes to Financial Statements (continued)

Note 2: Summary of Significant Accounting Policies (continued)

or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lease is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The Statement is effective for fiscal years beginning after December 15, 2019. The Authority is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was issued in April 2018. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

The Statement is effective for fiscal years beginning after June 15, 2018. The Authority is in the process of evaluating the impact of its adoption on the financial statements.

Note 3: Deposits and Investments

(a) Deposits

Operating cash is held in the form of Negotiable Order of Withdrawal ("NOW") accounts and money market accounts. At December 31, 2017, the Authority's bank balance was \$27,070,416. Of the bank balance, \$750,000 was insured with Federal Deposit Insurance.

Pursuant to GASB Statement No. 40, *Deposit and Investment Risk Disclosures* ("GASB 40"), the Authority's NOW accounts, as well as money market accounts and certificates of deposit, are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the Authority would not be able to recover the value of its deposit or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uninsured, uncollateralized (securities are not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial

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Notes to Financial Statements (continued)

Note 3: Deposits and Investments (continued)

institution's trust department or agent but not in the government's (NJEDA) name. At December 31, 2017 and 2016, all of the Authority's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk.

Cash deposits at December 31, 2017 and 2016 were as follows:

Deposit Type	2017	2016
NOW Accounts	\$ 13,851,759	\$ 13,720,299
Money Market Accounts	9,192,734	9,175,248
Total deposits	<u>\$ 23,044,493</u>	<u>\$ 22,895,547</u>

(b) Investments

Pursuant to the Act, the funds of the Authority may be invested in any direct obligations of, or obligations as to which the principal and interest thereof is guaranteed by, the United States of America or other obligations as the Authority may approve. Accordingly, the Authority directly purchases permitted securities and enters into interest-earning investment contracts.

As of December 31, 2017 the Authority's total investments, excluding capital investments, amounted to \$224,746,228. The Authority's investment portfolio ("Portfolio") is comprised of short to medium term bonds and is managed by a financial institution for the Authority. These investments include obligations guaranteed by the U.S. Government, Government Sponsored Enterprises, Money Market Funds, Corporate Debt rated at least A/A1 by Standard & Poors or Moody's, and Repurchase Agreements. The Portfolio is managed with the investment objectives of: preserving capital, maintaining liquidity, achieving superior yields, and providing consistent returns over time. In order to limit interest rate risk, investments are laddered, with maturities ranging from several months to a maximum of five years.

Investment of bond proceeds is made in accordance with the Authority's various bond resolutions. The bond resolutions generally permit the investment of funds held by the trustee in the following: (a) obligations of, or guaranteed by, the State or the U.S. Government; (b) repurchase agreements secured by obligations noted in (a) above; (c) interest-bearing deposits, in any bank or trust company, insured or secured by a pledge of obligations noted in (a) above; (d) State of New Jersey

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Notes to Financial Statements (continued)

Note 3: Deposits and Investments (continued)

Cash Management Fund (NJCMF); (e) shares of an open-end diversified investment company which invests in obligations with maturities of less than one year of, or guaranteed by, the U.S. Government or Government Agencies; and (f) non-participating guaranteed investment contracts.

In order to maximize liquidity, the Authority utilizes the NJCMF as an investment. All investments in the NJCMF are governed by the regulations of the State of New Jersey, Department of Treasury, Division of Investment, which prescribes specific standards designed to ensure the quality of investments and to minimize the risks related to investments. The NJCMF invests pooled monies from various State and non-State agencies in primarily short-term investments. These investments include: U.S. Treasuries; short-term commercial paper; U.S. Agency Bonds; Corporate Bonds; and Certificates of Deposit. Agencies that participate in the NJCMF typically earn returns that mirror short-term investment rates. Monies can be freely added or withdrawn from the NJCMF on a daily basis without penalty. At December 31, 2017 and 2016, the Authority's balance in the NJCMF is \$67,556,931 and \$78,077,940, respectively. The fair value is measured based on net asset value ("NAV") which approximates \$1 per share.

Custodial Credit Risk

Pursuant to GASB 40, the Authority's investments are profiled to determine if they are exposed to Custodial Credit Risk. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government (NJEDA), and are held by either: the counterparty (institution that pledges collateral to government or that buys/sells investments for government) or the counterparty's trust department or agent but not in the name of the government. Investment pools such as the NJCMF and open ended mutual funds including Mutual Bond Funds are deemed not to have custodial credit risk. As of December 31, 2017 and December 31, 2016, no investments are subject to custodial credit risk as securities in the Portfolio are held in the name of the Authority.

Concentration of Credit Risk

The Authority does not have an investment policy regarding concentration of credit risk, however, the Authority's practice is to limit investments in certain issuers. No more than 10% of the Authority funds may be invested in individual corporate and municipal issuers; and no more than 10% in individual U.S. Government Agencies. At December 31, 2017 more than 5% of the Authority's investments are in: Federal Home Loan Bank ("FHLB"), Federal Home Loan

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Notes to Financial Statements (continued)

Note 3: Deposits and Investments (continued)

Mortgage Corp (“FHLMC”), and Federal National Mortgage Association (“FNMA”). These investments are 8.44% (\$19,806,129), 5.40% (\$12,668,453), and 9.17% (\$21,504,702), respectively, of the Authority’s total investments. These three investments are included in the U.S. Government Agency category of investments. Investments issued by or guaranteed by the U.S. Government, mutual fund investments, and pooled investments are exempt from this requirement.

Credit Risk

The Authority does not have an investment policy regarding the management of Credit Risk, as outlined above. GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. All investments in U.S. Agencies are rated Aaa by Moody’s and AA+ by Standard & Poor’s (“S&P”). The mutual bond fund was rated AAA by S&P. Corporate bonds were rated A/A+/AA/AA+/AA-/AAA, by S&P. Municipal bonds were rated AAA and AA by S&P. The NJCMF is not rated.

Interest Rate Risk

The Authority does not have a policy to limit interest rate risk, however, its practice is to hold investments to maturity.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the financial statement measurement date. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 – unadjusted quoted prices in active markets for identical assets;
- Level 2 – quoted prices other than those included within Level 1 and other inputs that are observable for the asset or liability, either directly or indirectly;
- Level 3 – unobservable inputs for an asset or liability.

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Notes to Financial Statements (continued)

Note 3: Deposits and Investments (continued)

As of December 31, 2017 and 2016, the Authority had the following investments and maturities:

Investment Type	Level	December 31, 2017			Fair Value as of December 31, 2016
		Fair Value	Investments Less than 1 Year	Maturities 1-5 Years	
Investments by fair value level					
Debt Securities:					
U.S. Treasuries	2	\$ 97,552,733	\$ 35,697,619	\$ 61,855,114	\$ 90,174,402
U.S. Agencies	2	56,886,771	19,874,706	37,012,065	59,655,335
Corporate Bonds	2	62,043,324	17,053,555	44,989,769	65,049,513
Municipal Bonds	2	8,263,400	3,272,550	4,990,850	8,319,752
Mutual Bond Funds	1	166,669	166,669	—	68,061
Total investments by fair value level		224,912,897	76,065,099	148,847,798	223,267,063
Investment Pool at NAV					
State of NJ Cash Management Fund		67,556,931			78,077,940
Total investments measured at fair value		292,469,828			301,345,003
Less amounts reported as cash equivalents		(67,723,600)			(78,146,001)
Total investments		\$ 224,746,228			\$ 223,199,002

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique.

(c) Special Purpose Investments

Pursuant to the Authority's mission, from time to time, in order to expand employment opportunities in the State and to spur economic development opportunities, the Authority, with the authorization of the Board, will make special purpose investments. These special purpose investments include the following:

The Authority is a limited partner in various venture funds formed with the primary purpose of providing venture capital to exceptionally talented entrepreneurs dedicated to the application of proprietary technologies or unique services in emerging markets and whose companies are in the expansion stage. At December 31, 2017 and 2016, the aggregate value of the Authority's investment in these funds is \$9,797,772 and \$8,906,724, respectively. As a limited partner, the Authority receives financial reports from the managing partner of the funds, copies of which may be obtained by contacting the Authority. For the purpose of financial reporting, the ownership in stock or equity interest in connection with economic development activities, such as providing venture capital, does not meet the definition of an investment because the asset is held primarily

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Notes to Financial Statements (continued)

Note 3: Deposits and Investments (continued)

to further the economic development objectives of the Authority. Accordingly, the Authority uses the cost method as the measurement basis.

At December 31, 2017, the Authority also held other equity investments of \$375,475. The investments were held in the form of stock.

Note 4: Notes Receivable

Notes receivable consist of the following:

	December 31	
	2017	2016
Economic Development Fund (“EDF”) loan program; interest ranging up to 6.0%; maximum term of 12 years	\$ 55,968,511	\$ 55,121,172
Economic Recovery Fund (“ERF”) loan and guarantee programs; interest ranging up to 9.8%; maximum term of 11 years	72,174,951	70,485,900
Hazardous Discharge Site Remediation (“HDSR”) loan program; interest ranging up to 5.0%; maximum term of 10 years	2,668,589	2,279,481
Municipal Economic Recovery Initiative (“MERI”) loan program; interest ranging up to 3.0%; maximum term of 10 years	278,939	645,621
Stronger NJ Business (SNJ) loan program; interest ranging up to 2.1%; maximum term of 30 years	68,113,012	61,515,508
	\$ 199,204,002	\$ 190,047,682

Aggregate Notes Receivable activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Loan Disbursements	Loan Receipts	Write-offs, Adjustments, Restructures – Net	Ending Balance	Amounts Due Within One Year
EDF/ERF	\$ 125,607,072	\$ 23,243,696	\$ (20,280,367)	\$ (426,939)	\$ 128,143,462	\$ 9,415,750
HDSR	2,279,481	530,549	(141,441)	–	2,668,589	68,205
MERI	645,621	–	(366,682)	–	278,939	26,521
SNJ	61,515,508	10,353,892	–	(3,756,388)	68,113,012	2,757,470
	\$ 190,047,682	\$ 34,128,137	\$ (20,788,490)	\$ (4,183,327)	\$ 199,204,002	\$ 12,267,946

New Jersey Economic Development Authority
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Notes to Financial Statements (continued)

Note 5: Leases

(a) Leases Receivable

The Authority has a financing lease relating to the issuance of Bonds and Notes Payable. Bond and Note proceeds finance specific projects. The financing lease provides for basic rental payments, by the tenant to the Authority, in an amount at least equal to the amount of debt service on the Bonds and Notes. In the event of default by the tenant to make rental payments, the Authority generally has recourse, including, but not limited to, taking possession and selling or subletting the leased premises and property.

The outstanding lease is as follows:

Lease Description	2017	2016
NY Daily News, through January 23, 2021	\$ 7,248,102	\$ 7,348,102
Unamortized discount	(357,042)	(476,056)
Aggregate lease payments receivable – net	\$ 6,891,060	\$ 6,872,046

Aggregate lease receipts due through 2021 are as follows:

2018	\$ 100,000
2019	100,000
2020	100,000
2021	6,948,102
	\$ 7,248,102

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Notes to Financial Statements (continued)

Note 5: Leases (continued)

Lease payments receivable activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Reductions	Ending Balance	Amount Receivable Within One Year
Gross receivable	\$ 7,348,102	\$ (100,000)	\$ 7,248,102	<u>\$ 100,000</u>
Discount	(476,056)	119,014	(357,042)	
Net receivable	<u>\$ 6,872,046</u>	<u>\$ 19,014</u>	<u>\$ 6,891,060</u>	

(b) Operating Leases

(i) Authority as Lessor

At December 31, 2017, capital assets with a carrying value of \$134,541,014 and accumulated depreciation of \$75,531,463 are leased to commercial enterprises. These leases generally provide the tenant with renewal and purchase options. Aggregate minimum lease receipts are expected as follows:

2018	\$ 6,139,229
2019	4,785,288
2020	4,243,041
2021	3,979,573
2022	3,893,160
2023–2027	8,768,737
2028–2032	420,300
2033–2037	420,300
2038–2042	420,300
2043–2044	168,120
	<u>\$ 33,238,048</u>

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Notes to Financial Statements (continued)

Note 5: Leases (continued)

(ii) Authority as Lessee

The Authority leases commercial property, buildings, and office space for use by Authority staff. Aggregate rental expense for the current year amounted to \$102,517. Aggregate future lease obligations are as follows:

2018	\$ 110,956
2019	73,760
2020	30,391
2021	23,127
	<u>\$ 238,234</u>

Note 6: Capital Assets

Capital asset activity for the years ended December 31, 2017 and 2016 was as follows:

	December 31, 2016	Additions	Reductions	December 31, 2017
Capital assets not being depreciated:				
Land	\$ 28,983,065	\$ -	\$ -	\$ 28,983,065
Construction in progress	-	240,951	-	240,951
Capital assets being depreciated:				
Buildings	86,479,970	-	(4,757,524)	81,722,446
Leasehold improvements	34,933,205	-	-	34,933,205
Capital assets – gross	<u>150,396,240</u>	<u>240,951</u>	<u>(4,757,524)</u>	<u>145,879,667</u>
Less: accumulated depreciation	83,087,264	5,318,830	(4,490,442)	83,915,652
Capital assets – net	<u>\$ 67,308,976</u>	<u>\$ (5,077,879)</u>	<u>\$ (267,082)</u>	<u>\$ 61,964,015</u>

	December 31, 2015	Additions	Reductions	December 31, 2016
Capital assets not being depreciated:				
Land	\$ 28,983,065	\$ -	\$ -	\$ 28,983,065
Capital assets being depreciated:				
Buildings	98,343,729	-	(11,863,759)	86,479,970
Leasehold improvements	47,195,145	-	(12,261,940)	34,933,205
Capital assets – gross	<u>174,521,939</u>	<u>-</u>	<u>(24,125,699)</u>	<u>150,396,240</u>
Less: accumulated depreciation	88,369,229	6,013,587	(11,295,552)	83,087,264
Capital assets – net	<u>\$ 86,152,710</u>	<u>\$ (6,013,587)</u>	<u>\$ (12,830,147)</u>	<u>\$ 67,308,976</u>

New Jersey Economic Development Authority
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Notes to Financial Statements (continued)

Note 6: Capital Assets (continued)

In 2017, the Authority began fit-out work on its Biotech Development Center, within the Authority’s Technology Centre of New Jersey, located in the Township of North Brunswick. Additionally, the Authority began demolition of an existing, obsolete structure, known as the Premier Building, also located in the Township of North Brunswick.

In 2016, the Authority sold a five-story building, located in the City of Camden, known as the Waterfront Technology Center in Camden (“WTCC”), to the County of Camden, for the sale price of \$18 million. The WTCC was previously built by the Authority and used for both Authority staff and rental office space for technology related businesses. The County of Camden will use the building for county offices.

Note 7: Notes Payable

Generally, Notes Payable are special obligations of the Authority payable solely from loan payments, lease rental payments and other revenues, funds and other assets pledged under the notes and do not constitute obligations against the general credit of the Authority. Note proceeds are used to fund specific programs and projects and are not commingled with other Authority funds.

The outstanding notes are as follows:

	December 31	
	2017	2016
	<hr/>	
Community Development Investments, LLC; interest at 5%; principal and interest due monthly with payments based solely on receipt of surcharge revenue. The note was scheduled to mature on 5/12/14; however, full repayment is subject to receipt of surcharge revenue.	\$ 1,126,654	\$ 2,000,000
City of Camden, NJ; interest at 6%; principal and interest due monthly with payments based solely on receipt of surcharge revenue. The note was scheduled to mature on 2/5/16; however, full repayment is subject to receipt of surcharge revenue.		264,426
	\$ 1,126,654	\$ 2,264,426
	<hr/>	

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Notes to Financial Statements (continued)

Note 7: Notes Payable (continued)

At December 31, 2017, aggregate debt service requirements of notes payable through 2018 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,126,654	\$ 29,105	\$ 1,155,759
Total	<u>\$ 1,126,654</u>	<u>\$ 29,105</u>	<u>\$ 1,155,759</u>

Notes payable activity for the years ended December 31, 2017 and 2016 was as follows:

<u>December 31,</u> <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31,</u> <u>2017</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
\$ 2,264,426	\$ —	\$ (1,137,772)	\$ 1,126,654	\$ 1,126,654

<u>December 31,</u> <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31,</u> <u>2016</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
\$ 9,296,679	\$ —	\$ (7,032,253)	\$ 2,264,426	\$ 973,415

Note 8: Commitments and Contingencies

(a) Loan and Bond Guarantee Programs

The Authority has a special binding obligation regarding all guarantees to the extent that funds are available in the guarantee accounts as specified in the guarantee agreements. Guarantees are not, in any way, a debt or liability of the State.

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Notes to Financial Statements (continued)

Note 8: Commitments and Contingencies (continued)

(1) Economic Recovery Fund

The guarantee agreements restrict the Authority from approving any loan or bond guarantee if, at the time of approval, the Debt (exposure and commitments) to Worth (the amount on deposit and available for payment) ratio is greater than 5 to 1. At any time, payment of the guarantee is limited to the amount of Worth within the guarantee program account. Principal payments on guaranteed loans and bonds reduce the Authority's exposure. At December 31, 2017, Debt was \$10,177,190 and Worth was \$192,650,369, with a ratio of 0.05 to 1.

(2) New Jersey Business Growth Fund

The Authority guarantees between 25% and 50% of specific, low-interest loans to New Jersey companies, made by one of its preferred lenders, with a maximum aggregate exposure to the Authority not to exceed \$10 million and, at no time will the Authority pay more than \$10 million, net, of guarantee demands. At December 31, 2017, aggregate exposure and related worth within the Business Growth Fund account are both \$3,579,115.

(3) New Jersey Global Growth Fund

The Authority guarantees up to 50% of any approved term loan or line of credit to New Jersey companies, made by one of its premier lenders, with a maximum aggregate exposure to the Authority not to exceed \$10 million and, at no time will the Authority pay more than \$10 million, net, of guarantee demands. At December 31, 2017, aggregate exposure and related worth within the NJ Global Growth Fund account are both \$10,000,000.

(4) State Small Business Credit Initiative Fund

The Federal grant agreement restricts the Authority from approving any loan or bond guarantee if, at the time of approval, the Debt (exposure and commitments) to Worth (the amount on deposit and available for payment) ratio is greater than 1 to 1. At any time, payment of the guarantee is limited to the amount of Worth within the State Small Business Credit Initiative Fund. At December 31, 2017, Debt was \$4,793,367 and Worth was \$5,060,512, with a ratio of 0.95 to 1.

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Notes to Financial Statements (continued)

Note 8: Commitments and Contingencies (continued)

(b) Loan Program Commitments and Project Financings

At December 31, 2017, the Authority has \$19,453,028 of loan commitments not yet closed or disbursed and \$80,196,207 of project financing commitments.

(c) New Markets Tax Credit Program

On December 28, 2005, the Authority loaned \$31,000,000 to a limited liability company (“company”), to facilitate their investment in a certified community development entity (“entity”) whose primary mission is to provide loan capital for commercial projects in low-income areas throughout New Jersey. The company also received an equity investment from a private corporation (“corporation”). The company then invested the combined proceeds in the entity, which was awarded an allocation in Federal tax credits under the New Markets Tax Credit Program.

During 2007, the Authority made two additional New Markets commitments. On September 24, 2007 the Authority facilitated a transaction in which \$3,500,000 in credits were allocated (no Authority funds were utilized). On September 26, 2007, the Authority loaned \$20,296,000 to another company with terms similar to the first transaction.

During 2008, the Authority closed three additional New Markets commitments. A total of \$37,000,000 in credits were allocated (no Authority funds were utilized).

In 2009, one New Markets commitment was closed. A total of \$12,419,151 in credits were allocated (no Authority funds were utilized).

On February 28, 2013, the first New Markets loan pool, created in 2005, ceased operations, as the investor exercised its option to sell its membership interest.

On September 29, 2014, the second New Markets loan pool, created in 2007, ceased operations, as that investor also exercised its option to sell its membership interest.

On September 20, 2017, the entity ceased operations and substantially all of the entity’s assets (cash) were distributed to the Authority and the Corporation for Business Assistance, proportionate to their respective interests in the entity, and all remaining liabilities were transferred to the Authority to be paid when due.

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Notes to Financial Statements (continued)

Note 8: Commitments and Contingencies (continued)

As part of the remaining agreements, the corporation will claim the Federal tax credits in exchange for their investment. Claiming these credits carries the risk of recapture, whereby an event occurs that would negate the credit taken, causing it to be returned with interest. Based on the agreements between the Authority and the respective companies, the Authority will provide a guaranty to the corporation against adverse consequences caused by a recapture event. As of December 31, 2017 the aggregate exposure to the Authority for the remaining transactions described above is \$11,000,000. The Authority has determined the likelihood of paying on the guaranty, at this time, is remote.

Note 9: State and Federal Appropriations and Program Payments

The Authority receives appropriations from the State of New Jersey, as part of the State's annual budget, for purposes of administering certain grant programs enacted by State statute, and has also received appropriations from the United States Department of Housing and Urban Development, as well as the Federal Emergency Management Agency, via the State of New Jersey, for purposes of administering certain loan and grant programs for businesses in connection with the aftermath of Superstorm Sandy in October 2012. The Authority recognizes the disbursement of these funds to grantees as program payments. For the year ended December 31, 2017 state and federal appropriations and program payments were \$27,008,772, \$42,618,873, and \$76,876,079, respectively.

Note 10: Litigation

The Authority is involved in several lawsuits that, in the opinion of the management of the Authority, will not have a material effect on the accompanying financial statements.

Note 11: Employee Benefits

(a) Public Employees Retirement System of New Jersey ("PERS")

The Authority's employees participate in the PERS, a cost sharing multiple-employer defined benefit plan administered by the State. The Authority's contribution is based upon an actuarial computation performed by the PERS. Employees of the Authority are required to participate in the PERS and contribute 7.34% of their annual compensation. The PERS also provides death and disability benefits. All benefits and contribution requirements are established, or amended, by State statute.

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Notes to Financial Statements (continued)

Note 11: Employee Benefits (continued)

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after a minimum of 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60, and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62, and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62, and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age of his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions Made

The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.20% in State fiscal year ended June 30, 2017, and is 7.34% as of

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Notes to Financial Statements (continued)

Note 11: Employee Benefits (continued)

December 31, 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Authority's contractually required contribution rate for the year ended December 31, 2017 and 2016 was 13.56% and 12.38% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$2,011,757 and \$1,866,720 for the years ended December 31, 2017 and 2016.

Based on the recommendation of the State of New Jersey Department of the Treasury, the investment rate of return used to calculate the actuarially determined contribution effective with the July 1, 2017 valuation was 7.50% per annum. The Department of the Treasury recommendation also calls for the rate to be reduced further to 7.30% per annum effective with the July 1, 2019 valuation, and to 7.00% per annum effective with the July 1, 2021 valuation. The actuarially determined employer contribution amount, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

GASB 68 requires the Authority to recognize a net pension liability for the difference between the present value of the projected benefits for past service, known as the Total Pension Liability ("TPL"), and the restricted resources held in trust for the payment of pension benefits, known as the Fiduciary Net Position ("FNP").

At December 31, 2017 and 2016, the Authority reported a liability of \$55.1 million and \$67.1 million for its proportionate share of the net pension liability for PERS. The net pension liability was measured as of June 30, 2017 and June 30, 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2016 and July 1, 2015. The actuarial valuations were rolled forward to June 30, 2017 and June 30, 2016 using update procedures. The Authority's proportion of the net pension liability was based on a projection of the long-term share of contribution to the pension plans relative to the

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Notes to Financial Statements (continued)

Note 11: Employee Benefits (continued)

projected contributions of all participating State agencies, actuarially determined. At December 31, 2017, the Authority's proportion was .23691% which was an increase of .01046% from its proportion measured as of December 31, 2016.

For the years ended December 31, 2017 and 2016, the Authority recognized pension expense of \$6,763,821 and \$8,811,092 for PERS. Pension expense is reported in the Authority's financial statements as part of salaries and benefits expense.

At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 375,523	\$ —
Changes of assumptions or other inputs	11,110,493	11,069,760
Changes in proportion	9,073,915	—
Difference between expected and actual experience	1,298,553	—
Contributions subsequent to the measurement date	2,194,698	—
	<u>\$ 24,053,182</u>	<u>\$ 11,069,760</u>

Deferred outflows of resources of \$2,194,698 resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year 1 (2018)	\$ 4,436,514
Year 2 (2019)	4,436,514
Year 3 (2020)	3,632,169
Year 4 (2021)	(819,005)
Year 5 (2022)	(897,468)
	<u>\$ 10,788,724</u>

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Notes to Financial Statements (continued)

Note 11: Employee Benefits (continued)

At December 31, 2016, the Authority reported deferred outflows of resources of \$29,472,454 and deferred inflows of resources of \$0.

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined based on an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017 using update procedures. The key actuarial assumptions are summarized as follows:

Inflation:	2.25%
Salary increase:	1.65%–5.15%
Investment rate of return:	7.00%
Cost of living adjustment	No cost of living adjustment is assumed

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

Discount Rate

The discount rate used to measure the total pension liability was 5.00% and 3.98% at June 30, 2017 and June 30, 2016. This single blended discount rate was based on the long-term rate of return of 7.00% and the municipal bond rates of 3.58% and 2.85% as of June 30, 2017 and 2016 respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The contribution percentage is the average percentage of the annual actual contribution paid over the annual actuarially determined contribution during the most recent fiscal year. Based on those assumptions, the pension Plan's fiduciary net position was projected to be available to make projected future benefit payments of current Plan members through fiscal year 2040.

Expected Rate of Return on Investments

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each

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Notes to Financial Statements (continued)

Note 11: Employee Benefits (continued)

major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
PERS:		
Absolute return/risk mitigation	5.00%	5.51%
Cash	5.50	1.00
U.S Treasuries	3.00	1.87
Investment Grade Credit	10.00	3.78
Public High Yield	2.50	6.82
Global Diversified Credit	5.00	7.10
Credit Oriented Hedge Funds	1.00	6.60
Debt Related Private Equity	2.00	10.63
Debt Related Real Estate	1.00	6.61
Private Real Estate	2.50	11.83
Equity Related Real Estate	6.25	9.23
U.S. Equity	30.00	8.19
Non-US Developed Markets Equity	11.50	9.00
Emerging Markets Equity	6.50	11.64
Buyouts/Venture Capital	8.25	13.08

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 5.00% for PERS as well as the proportionate share of the net pension liability using a 1.00 percent increase or decrease from the current discount rate as of December 31, 2017:

	<u>1%</u> <u>Decrease</u>	<u>Discount Rate</u>	<u>1%</u> <u>Increase</u>
PERS (4.00%, 5.00%, 6.00%)	\$ 68,415,277	\$ 55,148,355	\$ 44,095,365

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Notes to Financial Statements (continued)

Note 11: Employee Benefits (continued)

Detailed information about the Plan's fiduciary net position is available in a separately issued financial report. The State of New Jersey, Department of the Treasury, Division of Pension and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information for the PERS. Information on the total Plan funding status and progress, required contributions and trend information is available on the State's web site at www.state.nj.us/treasury/pensions/annrprts.shtml in the Comprehensive Annual Financial Report of the State of New Jersey, Division of Pensions and Benefits.

(b) Postemployment Health Care and Insurance Benefits

General Information about the Postemployment Health Care Plan

Plan Description and Benefits Provided: The Authority sponsors a single employer postemployment benefits plan that provides benefits in accordance with State statute, through the State Health Benefits Bureau, to its retirees having 25 years or more of service in the PERS, and 30 years or more of service if hired after June 28, 2011, or to employees approved for disability retirement. Health benefits and prescription benefits provided by the plan are at no cost to eligible retirees who had accumulated 20 years of service credit as of June 30, 2010. All other future retirees will contribute to a portion of their health and prescription premiums. Upon turning 65 years of age, a retiree must utilize Medicare as their primary coverage, with State Health Benefits providing supplemental coverage. In addition, life insurance is provided at no cost to the Authority and the retiree in an amount equal to 3/16 of their average salary during the final 12 months of active employment.

Since the Authority is a participating employer in the State Health Benefits Bureau, the Authority does not issue a separate stand-alone financial report regarding other postemployment benefits. The Authority participates in the State Health Benefits Plan solely on the benefits side and not in a cost-sharing capacity, in order to leverage more affordable premium costs. The Authority maintains all plan assets within the Employee Benefit Trust. The State of New Jersey, Department of the Treasury, Division of Pension and Benefits, issues publicly available financial reports that include the financial statements for the State Health Benefits Program Funds. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pension and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

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Notes to Financial Statements (continued)

Note 11: Employee Benefits (continued)

The State has the authority to establish and amend the benefit provisions offered and contribution requirements.

As of January 1, 2016, the Authority adopted GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” (“GASB 75”). This Statement establishes guidelines for reporting costs associated with “other postemployment benefits” (“OPEB”) similar to accounting for pension under GASB 68, “Accounting and Financial Reporting for Pensions” and this Statement replaces GASB Statement No. 45. The Authority’s annual OPEB cost for the plan is calculated based on the Entry Age Normal level percentage cost method, an amount actuarially determined in accordance with the parameters of GASB Statement 75. The Authority has established and funded an irrevocable trust for the payments required by this obligation.

Employees Covered by Benefit Terms. At December 31, 2017 and 2016, the following employees were covered by the benefit terms:

	2017	2016
Active employees	163	158
Inactive employees and/or beneficiaries currently receiving benefit payments	35	35
Total membership	198	193

Contributions. The Authority’s Board grants the Authority the right to establish and amend the contribution requirements. The Board establishes rates based on an actuarially determined rate. For the year ended December 31, 2017 and 2016, the Authority’s average contribution rate was 8.65 and 7.15 percent of covered payroll. Employees are not required to contribute to the plan.

Net OPEB Liability

The Authority’s net OPEB liability was measured at December 31, 2017 and December 31, 2016 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2017. Update procedures were used to roll forward the total OPEB liability to the Authority’s year end of December 31, 2017.

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Notes to Financial Statements (continued)

Note 11: Employee Benefits (continued)

Actuarial Assumptions. The total OPEB liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.3% per annum, compounded annually
Salary increases	3.5% per annum, compounded annually
Investment rate of return	4.00%
Healthcare cost trend rates	8.6% grading down to an ultimate rate of 4.7% for <65, 4.7% grading down to an ultimate rate of 4.7% for >65

Mortality rates were based on the RPH-2014 Healthy Lives Mortality Tables adjusted to reflect Mortality Improvement Scale MP-2017 from 2006 base year and projected forward on a generational basis.

The actuarial assumptions used in the January 1, 2017 valuation were based on information provided by the Authority for the period of January 1, 2017 through December 31, 2017. Update procedures were used to roll forward the total OPEB liability to the Authority's year end of December 31, 2017.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table for 2017 and 2016:

Asset Class	Index	Target Allocation	Long-Term Expected Real Rate of Return
US cash	BAML 3-month treasury	6.86%	0.18%
US government bonds	Barclays government	49.14%	1.26%
US credit bonds	Barclays credit	39.67%	2.83%
US municipal bonds	Barclays muni index	4.33%	1.75%
Total		100.00%	

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Notes to Financial Statements (continued)

Note 11: Employee Benefits (continued)

Discount Rate. The discount rate used to measure the total OPEB liability was 4.0 percent at December 31, 2017 and December 31, 2016. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in Net OPEB Liability

For the year ended December 31, 2017:

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Net OPEB liability at beginning of the year	\$ 35,719,078	\$ 32,119,769	\$ 3,599,309
Changes for the year:			
Service cost	1,900,124	–	1,900,124
Interest	1,492,035	–	1,492,035
Changes of assumptions	–	–	–
Employer Contributions	–	1,220,006	(1,220,006)
Net investment income	–	485,676	(485,676)
Benefit payments	(642,931)	(642,931)	–
Administrative expense	–	(20,800)	20,800
Net changes	<u>2,749,228</u>	<u>1,041,951</u>	<u>1,707,277</u>
Net OPEB liability at end of the year	<u>\$ 38,468,306</u>	<u>\$ 33,161,720</u>	<u>\$ 5,306,586</u>

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Notes to Financial Statements (continued)

Note 11: Employee Benefits (continued)

For the year ended December 31, 2016:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Net OPEB liability at beginning of the year	\$ 33,151,654	\$ 31,251,654	\$ 1,900,000
Changes for the year:			
Service cost	1,835,900	–	1,835,900
Interest	1,386,524	–	1,386,524
Changes of assumptions	–	–	–
Employer Contributions	–	1,162,390	(1,162,390)
Net investment income	–	381,525	(381,525)
Benefit payments	(655,000)	(655,000)	–
Administrative expense	–	(20,800)	20,800
Net changes	2,567,424	868,115	1,699,309
Net OPEB liability at end of the year	<u>\$ 35,719,078</u>	<u>\$ 32,119,769</u>	<u>\$ 3,599,309</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.0 percent) or 1-percentage-point higher (5.0 percent) than the current discount rate:

	1% Decrease (3%)	Discount Rate (4%)	1% Increase (5%)
Net OPEB liability	\$ 13,125,869	\$ 5,306,586	\$ (821,413)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.6 percent decreasing to 3.7 percent) or 1-percentage-point higher (9.6 percent decreasing to 5.7 percent) than the current healthcare cost trend rates (8.6 percent decreasing to 4.7%):

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Notes to Financial Statements (continued)

Note 11: Employee Benefits (continued)

	1% Decrease (7.6%) decreasing to 3.7%)	Healthcare Cost Trend Rates (8.6%) decreasing to 4.7%)	1% Increase (9.6%) decreasing to 5.7%)
Net OPEB liability	\$ (1,892,275)	\$ 5,306,586	\$ 14,835,557

OPEB Plan Fiduciary Net Position. Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued NJEDA Employee Benefit Trust financial report, which is available on the Authority’s website at www.njeda.com/public_information/annual_reports.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2017 and 2016, the Authority recognized OPEB expense of \$2,461,692 and \$2,167,055, respectively. OPEB expense is reported in the Authority’s financial statements as part of salaries and benefits expense. At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows	Deferred Outflows
Net difference between projected and actual earnings on OPEB plan investments	\$ —	\$ 1,160,185

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:	
2018	\$ 333,458
2019	333,458
2020	333,460
2021	159,809

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Notes to Financial Statements (continued)

Note 11: Employee Benefits (continued)

At December 31, 2016, the Authority reported deferred outflows of resources of \$694,594.

Note 12: Compensated Absences

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the Authority recorded current liabilities in the amount of \$1,026,697 and \$985,155 as of December 31, 2017 and 2016, respectively. The liability as of those dates is the value of employee accrued vacation time and vested estimated sick leave benefits that are probable of payment to employees upon retirement. The vested sick leave benefit to eligible retirees for unused accumulated sick leave is calculated at the lesser of ½ the value of earned time or \$15,000. The payment of sick leave benefits, prior to retirement, is dependent on the occurrence of sickness as defined by Authority policy; therefore, such non-vested benefits are not accrued.

Note 13: Long-Term Liabilities

During 2017, the following changes in long-term liabilities are reflected in the statement of net position:

	Beginning Balance		Additions		Deductions		Ending Balance
Net pension liability	\$ 67,068,246	\$	–	\$	(11,919,891)	\$	5,148,355
Other postemployment benefits liability	3,599,309		1,707,277		–		5,306,586
Notes payable	1,291,011		–		(1,291,011)		–
Unearned lease revenue	8,957,707		–		(1,053,848)		7,903,859
Accrued guarantee losses	1,176,274		285,774		(577,307)		884,741
Compensated absences	985,155		75,001		(33,459)		1,026,697
Total long-term liabilities	<u>\$ 83,077,702</u>	<u>\$</u>	<u>2,068,052</u>	<u>\$</u>	<u>(14,875,516)</u>	<u>\$</u>	<u>70,270,238</u>

For further information, see Notes 7 and 11.

Required Supplementary Information

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Schedule of Changes in the Authority's Net OPEB Liability and Related Ratios

	2017	2016
	<i>(In Thousands)</i>	
Service cost	\$ 1,900	\$ 1,836
Interest	1,492	1,387
Benefit payments	<u>(643)</u>	<u>(655)</u>
Net change in total OPEB liability	2,749	2,568
Total OPEB liability – beginning	35,719	33,151
Total OPEB liability – ending (a)	<u>\$ 38,468</u>	<u>\$ 35,719</u>
Plan fiduciary net position		
Contributions – employer	\$ 1,220	\$ 1,162
Net investment income	486	382
Benefit payments	(643)	(655)
Administrative expenses	<u>(21)</u>	<u>(21)</u>
Net change in plan fiduciary net position	1,042	868
Plan fiduciary net position – beginning	32,119	31,251
Plan fiduciary net position – ending (b)	<u>\$ 33,161</u>	<u>\$ 32,119</u>
Authority's net OPEB liability-ending (a)-(b)	<u>\$ 5,307</u>	<u>\$ 3,600</u>
Plan fiduciary net position as a percentage of the total OPEB liability	86.20%	89.92%
Covered-employee payroll	\$ 14,108	\$ 16,246
Authority's net OPEB liability as a percentage of covered-employee payroll	37.62%	22.16%

Notes to Schedule:

Changes of assumptions: None

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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Schedule of the Authority's OPEB Contributions

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
	<i>(In Thousands)</i>									
Actuarial determined contribution	\$ 1,220	\$ 1,162	\$ 9,014	\$ 891	\$ 850	\$ 3,327	\$ 806	\$ 768	\$ 3,666	\$ 633
Employer contribution	1,220	1,162	9,014	891	850	3,327	806	768	3,666	633
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ 14,108	\$ 16,246	\$ 15,819	\$ 14,535	\$ 10,971	\$ 10,472	\$ 12,062	\$ 13,183	\$ 13,770	\$ 11,115
Contributions as percentage of covered-employee payroll	8.65%	7.15%	56.98%	6.13%	7.75%	31.77%	6.68%	5.83%	26.62%	5.70%

New Jersey Economic Development Authority
(a component unit of the State of New Jersey)

Notes to Schedule of the Authority's OPEB Contributions

Notes to Schedule:

Valuation Date	January 1, 2017 for years 2017 and 2016, January 1, 2015 for 2015; January 1, 2012 for years 2012-2014; January 1, 2009 for years 2009-2011; January 1, 2006 for 2008.
Methods and assumptions used to determine the actuarially determined contribution rates:	
Actuarial Cost Method	Entry Age Normal for 2017 and 2016, Project Unit Credit Cost Method for 2015-2008
Amortization Method	Full recognition of unfunded liability as of December 31 for 2017 and 2016, Level Dollar Open (1 year) for 2015-2008
Asset Valuation Method	Market value
Inflation Rate	2.3% for 2017 and 2016, not indicated for 2015-2008
Investment Rate of Return	4.0%

New Jersey Economic Development Authority
(a component unit of the State of New Jersey)

Schedule of the Authority's Proportionate Share of the Net Pension Liability

	2017	2016	2015	2014
	PERS	PERS	PERS	PERS
Authority's proportion of the net pension liability	0.23691%	0.22645%	0.21713%	0.15290%
Authority's proportionate share of the net pension liability	\$ 55,148,355	\$ 67,068,246	\$ 48,740,925	\$ 28,627,890
Authority's covered payroll	\$ 16,199,280	\$ 16,245,862	\$ 15,434,227	\$ 12,440,364
Authority's proportionate share of the net pension liability as a percentage as a percentage of its covered payroll	340.44%	412.83%	315.80%	230.12%
Plan fiduciary net position as a percentage of the total pension liability	36.78%	31.20%	38.21%	42.74%

The amounts presented for each fiscal year were determined as of June 30.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

New Jersey Economic Development Authority
(a component unit of the State of New Jersey)

Schedule of the Authority's Contributions to the Public Employees' Retirement System (PERS)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 2,194,698	\$ 2,011,757	\$ 1,866,720	\$ 1,260,522	\$ 1,137,100	\$ 1,188,900	\$ 1,262,300	\$ 1,292,500	\$ 1,029,900	\$ 743,700
Contributions in relation to the contractually required contribution	2,194,698	2,011,757	1,866,720	1,260,522	1,137,100	1,188,900	1,262,300	1,292,500	1,029,900	743,700
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 16,184,953	\$ 16,245,862	\$ 15,818,820	\$ 14,535,358	\$ 10,970,510	\$ 10,472,305	\$ 12,062,333	\$ 13,183,135	\$ 13,769,583	\$ 11,114,716
Contributions as a percentage of covered payroll	13.56%	12.38%	11.80%	8.67%	10.37%	11.35%	10.46%	9.80%	7.48%	6.69%

New Jersey Economic Development Authority
 (a component unit of the State of New Jersey)

Notes to Schedule of the Authority’s Contributions to the Public Employees’
 Retirement System (PERS)

Notes to Schedule

Valuation Date Actuarially determined contribution rates are calculated as of July 1, one year prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine the actuarially determined employer contributions are as follows:

Actuarial Cost Method	Projected Unit Credit Method
Amortization Method	Level Dollar Amortization
Remaining Amortization Period	30 years
Asset Valuation Method	A five year average of market value
Investment Rate of Return	7.00% for 2017, 7.65% for 2016, 7.9% for 2015, 2014 and 2013, 7.95% for 2012, 8.25% for 2011, 2010 2009 and 2008
Inflation	2.25%
Salary Increases	1.65% –5.15% for 2017 and 2016, 2.15% – 5.40% for 2015 through 2013, 4.52% for 2012, 5.45% for 2011, 2010, 2009 and 2008
Mortality	RP-2000 Employee Preretirement Mortality Table for male and female active participants. Mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary’s modified MP-2014 projection scale.

EY | Assurance | Tax | Transactions | Advisory

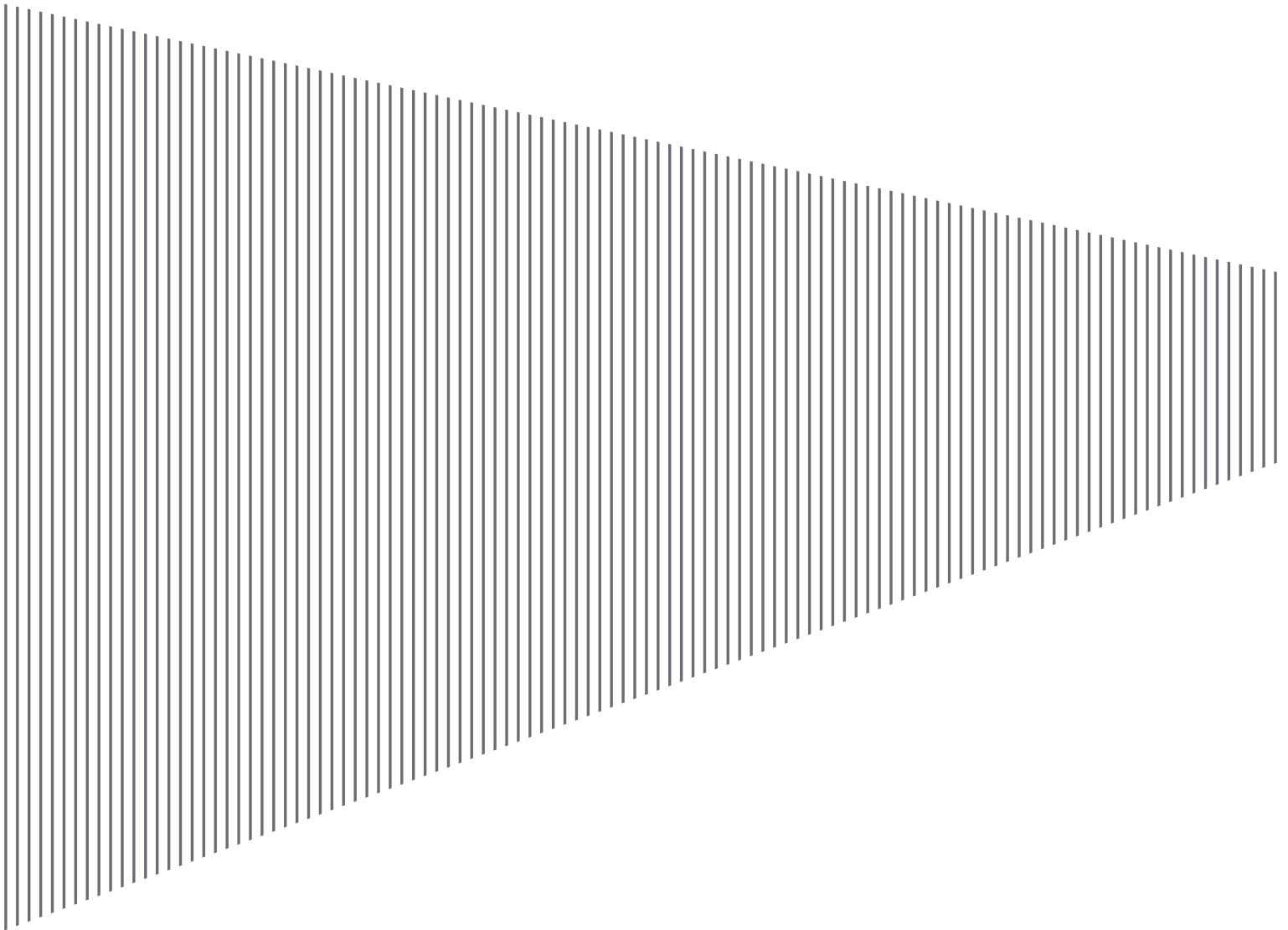
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To: Members of the Authority
From: John T. Lutz, Audit Committee Chairman
Date: August 10, 2018
Subject: Independent Auditor Services - Extension of Contract

Request:

The Members are requested to approve the extension of a contract, previously approved by the Board, with Ernst & Young, LLP to provide Independent Auditor Services to the Authority's Board and its Audit Committee. These Independent Auditor Services are in accordance with the requirements of Executive Order 122 (McGreevey-2004) and are needed to provide the Board and its Audit Committee Members with an annual financial review and independent audit of the Authority's fiscal recordkeeping.

Background:

At its meeting of July 9, 2015, the Board awarded a contract which commenced on August 3, 2015 and will expire on August 2, 2018. The contract award called for an initial three (3) year term, with two (2) one (1) year extension options, to be exercised at the sole discretion of the Authority. At its meeting of July 25th, the Audit Committee, pursuant to its duties under the Authority's Audit Committee Charter, recommended exercising both one-year extension options, at the same terms and conditions at an increased annual price as allowed for in the escalator clause in accordance with the *2015-RFQ/P060-Independent Auditor Services* language. The "Price Adjustment" allowed for each of the two (2) one (1) year extension options, is one and one-half (1.5%) percent.

Additional background is below:

Vendor: Ernst & Young, LLP (Iselin, NJ)
Initial Term: Three (3) Years 08/03/15 through 08/02/18
Extension Options: Two (2) one (1) Year extensions
08/03/18 through 08/02/19
08/03/19 through 08/02/20

Total Amount: Potential Five (5) Year Term - \$1,541,946.90

Year 1 \$ 305,625.00

Year 2 \$ 305,625.00

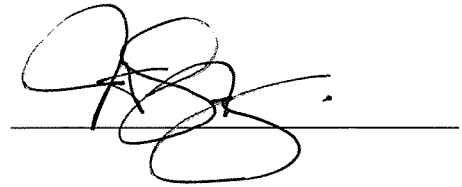
Year 3 \$ 305,625.00

Ext. Opt. #1- \$ 310,209.38

Ext. Opt. #2- \$ 314,862.52

Recommendation:

Based on the recommendation of the Audit Committee, the Members' approval is requested to extend the existing contract with Ernst & Young, LLP of Iselin, NJ to provide Independent Auditor Services to the Authority's Board and its Audit Committee, consistent with the terms and conditions of the contract previously approved by the Board.

A handwritten signature in black ink, appearing to be 'R. LoCascio', is written over a horizontal line.

Prepared by:

Richard LoCascio, CPA
Controller

INCENTIVE PROGRAMS

GROW NEW JERSEY ASSISTANCE PROGRAM (GROW NJ)

**GROW NEW JERSEY ASSISTANCE PROGRAM (GROW NJ)
MODIFICATIONS**



MEMORANDUM

TO: Members of the Authority

FROM: Tim Sullivan
Chief Executive Officer

DATE: August 10, 2018

SUBJECT: Yoland Corporation (“Yoland”) – Modification
Grow New Jersey Assistance Program (“Grow NJ”) – P44623
\$3,869,000 Grow NJ

Request:

Consent to the change of location of the qualified business facility (“QBF”) from 35-49 Kentucky Avenue and 52-66 Iowa Avenue to 407-411 20th Avenue, both of which are within the City of Paterson

The change in the QBF location will result in a decrease in the square footage from 18,395 sf to 16,000 sf, a reduction in the estimated capital investment, from \$2,260,618 to \$1,499,240, the loss of the Deep Poverty Pocket bonus and a reduction to the overall 10-year tax credit from \$3,869,000 to \$3,782,500. In its original Grow approval, Yoland was required to evidence site control for 15 additional years beyond the 15 year term (30 years in total). If the company does not evidence site control at the new QBF for NJ for 30 years, the award will be reduced to \$2,395,251.

Board action is required because the proposed changes represent a greater than 25% change in capital investment which does not meet the staff delegation approved by the members in July 2016.

Background:

Yoland Corporation, a subsidiary of D. Yoland Ltd, an Israeli corporation, is a contract manufacturer of illumination parachutes in various sizes for the US Defense Department. The company also manufactures textile articles for the military such as bag charges for the artillery and mortar and body armor. Established in the U.S. in 1999, the company is currently located in Brooklyn, NY and employs 48 employees.

On November 14, 2017, the Members approved a \$3,869,000 10 year Grow NJ to incent the creation of 50 new Grow eligible jobs at an existing industrial premise consisting of 18,395 sf in Paterson City which was to be refurbished as headquarters space to accommodate their operations. Due to the narrow margin of net benefit to the State at approval, there were two additional conditions of approval required: 1) should the certification of eligible jobs, capital investment, or payroll demonstrate a more than 10% decrease from that which was approved by the Board, the award would be recalculated; and 2) should the company be unable to evidence site control for 30 years prior to closing, the award will revert back to the standard award of \$2,481,721 for a 15 year commitment based on the actual length of the site control document.

Subsequent to the Grow NJ approval, the applicant had to terminate the purchase contract for the originally approved location due to environmental issues that arose during the due diligence period. As the current lease on the existing site in Brooklyn will expire in August 2018, Yoland has asked EDA to consent to a change in the QBF location within the City of Paterson from 35-49 Kentucky Avenue and 52-66 Iowa Avenue to 407-411 20th Avenue. As a result of the change in QBF, the amount of capital investment will decrease by 34% from \$2,260,618 at approval to \$1,499,240 due to less renovations being required at the site. Similarly, the minimum eligible capital investment is decreased from \$245,267 to \$213,334.

The proposed project will continue to be an industrial premise and have the Targeted Industry and the Garden State Growth Zone Industrial Project with Capital Investment in Excess of Minimum bonuses. However, the new location is not in a Deep Poverty Pocket, which results in a loss of the \$1,500 per job bonus award. There are no changes to the number of anticipated jobs, which will remain at 50.

Staff compared the total costs for the QBF as originally proposed to the modified QBF. A CBA comparison evidences that the new site is \$449,115 less expensive than the original approved project over the 15 year grant commitment duration. Additionally, the total costs over 15 years at the proposed site are \$21,074,540 compared to \$21,361,608 for the original QBF (a 1.34% decrease.)

Because capital investment decreased by more than 25%, staff reran the net benefit test using the current model over 30 years (net of award) and found that the annual award will decrease from \$387,256 to \$378,638. As the net benefit as adjusted by the award, cannot be less than 110% net benefit coverage ratio, the award will now be capped at \$3,782,500. Should the company fail to evidence site control for 30 years prior to closing, its award will revert back to the standard award of \$2,395,251 for a 15 year commitment based on the actual length of the site control document. The 10% threshold for recalculation at certification will remain in effect.

<u>Summary of Project Changes:</u>	<u>Original</u>	<u>As Proposed</u>
Qualified Business Location	35-49 Kentucky Avenue & 52-66 Iowa Avenue, Paterson City	407-411 20 th Avenue, Paterson City
Award Amount	\$3,869,000 (\$6,000,000 as capped by Net Benefit)	\$3,782,500 (\$5,250,000 as capped by Net Benefit)
Base Grant	\$5,000 (GSGZ)	\$5,000 (GSGZ)
Deep Poverty Pocket	\$1,500	\$0
Target Industry Bonus	\$500	\$500
Additional Capital Investment for Industrial Premises for Industrial Use In GSGZ	\$5,000	\$5,000

Base + Increases	\$12,000	\$10,500
Total Project Square Footage	18,395 sf	16,000 sf
Minimum Capital Investment	\$245,267	\$213,334
Eligibility Requirements:		
Estimated Eligible Capital Investment	\$2,260,618	\$1,499,240
Jobs	50 New	50 New
Gross Benefit to the State (Over 30 Years, Prior to Award)	\$4,256,256	\$4,161,138
Net Benefit to the State (Over 30 Years, Net of Award)	\$387,256	\$378,638

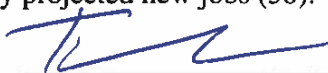
REVISED RECOUPMENT SCHEDULE

	<u>YEAR</u>	<u>RECOUPMENT AMOUNT</u>
IF THE APPLICANT LEAVES IN YEAR:	16	\$ 1,387,249.00
IF THE APPLICANT LEAVES IN YEAR:	17	\$ 1,269,644.01
IF THE APPLICANT LEAVES IN YEAR:	18	\$ 1,156,199.57
IF THE APPLICANT LEAVES IN YEAR:	19	\$ 1,046,768.49
IF THE APPLICANT LEAVES IN YEAR:	20	\$ 941,208.80
IF THE APPLICANT LEAVES IN YEAR:	21	\$ 839,383.53
IF THE APPLICANT LEAVES IN YEAR:	22	\$ 741,160.57
IF THE APPLICANT LEAVES IN YEAR:	23	\$ 646,412.47
IF THE APPLICANT LEAVES IN YEAR:	24	\$ 555,016.32
IF THE APPLICANT LEAVES IN YEAR:	25	\$ 466,853.52
IF THE APPLICANT LEAVES IN YEAR:	26	\$ 381,809.68
IF THE APPLICANT LEAVES IN YEAR:	27	\$ 299,774.48
IF THE APPLICANT LEAVES IN YEAR:	28	\$ 220,641.46
IF THE APPLICANT LEAVES IN YEAR:	29	\$ 144,307.96
IF THE APPLICANT LEAVES IN YEAR:	30	\$ 70,674.93

Recommendation:

Consent to the change in the location of the QBF within the City of Paterson from 35-49 Kentucky Avenue and 52-66 Iowa Avenue to 407-411 20th Avenue.

The change in the QBF results in a decrease in square footage from 18,395 sf to 16,000 sf, a reduction in the estimated capital investment from \$2,260,618 to \$1,499,240, the loss of the Deep Poverty Pocket bonus and a reduction in the award from \$3,869,000 to \$3,782,500. If Yoland does not evidence site control for 30 years, the award will be further reduced to \$2,395,251 based on the recoupment schedule. There will be no change in the number of originally projected new jobs (50).



Prepared by: Tyshon Lee

BOND PROJECTS

COMBINATION PRELIMINARY AND BOND RESOLUTIONS

**NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY
PROJECT SUMMARY - STAND-ALONE BOND PROGRAM**

APPLICANT: Friends of Golden Door Charter School, Inc.

P45134

PROJECT USER(S): Golden Door Charter School

* - indicates relation to applicant

PROJECT LOCATION: 3040 & 3044 John F. Kennedy Jersey City (T/UA)

Hudson County

GOVERNOR'S INITIATIVES:

(X) Urban () Edison () Core () Clean Energy

APPLICANT BACKGROUND:

Friends of Golden Door Charter School, Inc., established 2010, provides fundraising and debt assistance for Golden Door Charter School. Golden Door Charter School, A New Jersey Nonprofit Corporation, established 1998, is a 501(c)(3) not-for-profit organization established for the purpose of operating and maintaining a public school under a charter granted by the State of New Jersey. Golden Door Charter School serves a population of 550 students in pre-kindergarten through the eighth grade. The School is in good standing with the Department of Education. Brian Stiles is the School's Chief Academic Officer.

The applicant is a 501(c)(3) not-for-profit entity for which the Authority may issue tax-exempt bonds as permitted under Section 103 and Section 145 of the 1986 Internal Revenue Code as amended, and is not subject to the State Volume Cap limitation, pursuant to Section 146(g) of the Code.

APPROVAL REQUEST:

Authority assistance will enable the Applicant to purchase a long term leasehold interest in land and its existing 55,000 sq. ft. building, construct an additional building, add improvements to the property, fund a debt service reserve fund and refinance existing debt. Proceeds of the bond will also pay the cost of issuance.

FINANCING SUMMARY:

BOND PURCHASER: RBC Capital Markets, LLC (Limited Offering Memorandum)

AMOUNT OF BOND: Series A

\$10,500,000 Tax-Exempt (Part of total \$11,000,000 with Series B Taxable Bond)

Series B

\$500,000 Taxable (Part of total \$11,000,000 with Series A Tax-Exempt Bond)

TERMS OF BOND: 35 years; Fixed interest rate not to exceed 7.50%. Subject to a 10 year call option.

35 years; Fixed interest rate not to exceed 8.00%.

ENHANCEMENT: N/A

PROJECT COSTS:

Refinancing	\$3,100,000
Construction of new building or addition	\$3,000,000
Long Term Leasehold	\$2,500,000
Debt service reserve fund	\$700,000
Improvements	\$700,000
Interest during construction	\$500,000
Soft Costs	\$500,000

TOTAL COSTS	\$11,000,000
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JOBS: At Application 66 Within 2 years 5 Maintained 0 Construction 21

PUBLIC HEARING: 08/10/18 (Published 07/27/18) **BOND COUNSEL** Chiesa, Shahinian & Giantomasi,
DEVELOPMENT OFFICER: K. Durand **APPROVAL OFFICER:** S. Novak

**NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY
PROJECT SUMMARY - STAND-ALONE BOND PROGRAM**

APPLICANT: The Friends of Marion P. Thomas Charter School

P45127

PROJECT USER(S): Marion P. Thomas Charter School *

* - indicates relation to applicant

PROJECT LOCATION: Various

Newark City (T/UA)

Essex County

GOVERNOR'S INITIATIVES:

(X) Urban () Edison () Core () Clean Energy

APPLICANT BACKGROUND:

The Friends of Marion P. Thomas Charter School, a New Jersey Non-Profit School, (the "Applicant") is a 501(c)(3) organization formed in 2005 for the benefit of assisting the Marion P. Thomas Charter School ("MPT"). MPT is one of the oldest charter schools in the City of Newark receiving its original charter in 1998. MPT was approved for its fourth five-year charter renewal in February 2018 which included approval for an enrollment expansion for grades PreK - 12 and up to 2,250 students. MPT currently operates four facilities all located in Newark, serving approximately 1,330 students: (i) a newly constructed culinary and performing arts high school located at 125 Sussex Avenue completed in August 2015; (ii) the original MPT Elementary School campus located at 370 S. 7th Street, consisting of a four story building and ancillary modular classrooms; (iii) single-gender MPT Select Academies located at 88-108 Shipman Street; and (iv) the MPT Middle School located on an interim basis at 570 Broad Street. MPT is in good standing with the Department of Education. The chairman of MPT is Gregory Collins and Karen Thomas is the CEO.

In 2015, MPT Facility, Inc. closed on a \$35 million Qualified School Construction Bond ("QSCB"). The proceeds of the QSCB enabled MPT Facility to acquire land and construct the culinary and performing arts high school on Sussex Avenue, Newark.

The applicant is a not-for-profit, 501(c)(3) entity for which the Authority may issue tax-exempt bonds as permitted under Section 103 and Section 145 of the 1986 Internal Revenue Code as amended, and is not subject to the State Volume Cap limitation, pursuant to Section 146(g) of the Code.

APPROVAL REQUEST:

Authority assistance will enable the Applicant to acquire three school facilities in Newark that will be leased to MPT and serve to accommodate MPT's facility needs for the foreseeable future. The properties are located at (i) 534-544 Clinton Avenue, a 46,300 sq. ft. school located on approximately 1 acre, (ii) 28-34 Burnet Street, the former Burnet Street Public School facility of 162,800 sq. ft. on 1.1 acres, and (iii) 88-108 Shipman Street, a 38,600 sq. ft. school (MPT Select Academies) on approximately .564 acres owned by St. James Educational, LLC. Bond proceeds will also be utilized for renovations to the facilities, a debt service reserve fund and costs of issuance.

FINANCING SUMMARY:

BOND PURCHASER: RBC Capital Markets, LLC (Limited Offering Memorandum)

AMOUNT OF BOND: \$24,450,000 Tax-exempt Series A Bond

\$550,000 Taxable Series B Bond

TERMS OF BOND: 35 years (max.); Fixed interest rate not to exceed 7.5% (Estimated rates as of 7/24/18 range between 5.150% to 5.75%)

10 years; Fixed interest rate not to exceed 8% (Estimated rate as of 7/24/18 is 5.5%.)

APPLICANT: The Friends of Marion P. Thomas Charter School

P45127

Page 2

ENHANCEMENT: N/A

PROJECT COSTS:

Acquisition of existing building	\$21,900,000
Debt service reserve fund	\$1,750,000
Renovation of existing building	\$600,000
Finance fees	\$500,000
Legal fees	\$250,000
TOTAL COSTS	\$25,000,000

JOBS: At Application 279 Within 2 years 45 Maintained 0 Construction 5

PUBLIC HEARING: 08/10/18 (Published 07/27/18) **BOND COUNSEL:** Chiesa, Shahinian & Giantomasi,
DEVELOPMENT OFFICER: K. Durand **APPROVAL OFFICER:** T. Wells

LOANS/GRANTS/GUARANTEES

HAZARDOUS DISCHARGE SITE REMEDIATION FUND



MEMORANDUM

TO: Members of the Authority
FROM: Tim Sullivan, Chief Executive Officer
DATE: August 10, 2018
SUBJECT: NJDEP Hazardous Discharge Site Remediation Fund Program

The following grant and loan projects have been approved by the Department of Environmental Protection to perform remedial investigation and remedial action activities. The scope of work is described on the attached project summaries:

HDSRF Municipal Grants:

P45021	City of Asbury Park (Springwood Avenue Turf Club)	\$ 245,738
P44799	Township of Mount Holly (Former Regal Custom Fixtures Inc.)	\$ 80,215
P45079	City of Perth Amboy (Former Municipal Complex BDA)	\$ 30,818
P44380	City of Trenton (Hetzel Field)	\$ 188,894
		<u>\$ 545,665</u>

HDSRF Private Loan:

P39520	Superior-MPM (Manufacturing Property Management) LLC	\$ 200,000
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Total HDSRF Funding – August 2018 **\$ 745,665**

Tim Sullivan

Prepared by: Kathy Junghans

**NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY
PROJECT SUMMARY - HAZARDOUS SITE REMEDIATION - MUNICIPAL GRANT**

APPLICANT: City of Asbury Park (Springwood Avenue Turf Club) P45021
PROJECT USER(S): Same as applicant * - indicates relation to applicant
PROJECT LOCATION: 1130-1156 Springwood Avenue Asbury Park City (T/UA) Monmouth
GOVERNOR'S INITIATIVES: (X) Urban () Edison () Core () Clean Energy

APPLICANT BACKGROUND:

City of Asbury Park, identified as Block 803, Lots 1-14 is a former commercial property which has potential environmental areas of concern (AOCs). The City of Asbury Park currently owns the project site and has satisfied proof of site control. It is the City's intent, upon completion of the environmental investigation activities to redevelop the project site for mixed use.

NJDEP has approved this request for Remedial Action (RA) grant funding on the above-referenced project site and finds the project technically eligible under the HDSRF program, Category 2, Series A.

APPROVAL REQUEST:

City of Asbury Park is requesting grant funding to perform RA in the amount of \$245,738 at the Springwood Avenue Turf Club project site.

FINANCING SUMMARY:

GRANTOR: Hazardous Discharge Site Remediation Fund
AMOUNT OF GRANT: \$245,738
TERMS OF GRANT: No Interest; No Repayment

PROJECT COSTS:

Remedial Action	\$245,738
EDA administrative cost	\$500
TOTAL COSTS	\$246,238

APPROVAL OFFICER: K. Junghans

**NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY
PROJECT SUMMARY - HAZARDOUS SITE REMEDIATION - MUNICIPAL GRANT**

APPLICANT: Township of Mount Holly (Frmr Regal Custom Fixtures Inc) P44799
PROJECT USER(S): Same as applicant * - indicates relation to applicant
PROJECT LOCATION: 101 Washington Street Mount Holly Township (T/UABurlington
GOVERNOR'S INITIATIVES: (X) Urban () Edison () Core () Clean Energy

APPLICANT BACKGROUND:

Between February 2009 and January 2010, Township of Mount Holly received an initial grant in the amount of \$41,117 under P22914 and a supplemental grant in the amount of \$29,979 under P28417 to perform Preliminary Assessment (PA) and Site Investigation (SI) at the former Regal Custom Fixtures project site. The project site, identified as Block 38, Lot 2, is currently vacant, but historically contained a custom fixture fabricator and an auto dealership and service facility. It is the Township's intent upon completion of the environmental investigation activities to redevelop the project site for commercial and retail space.

NJDEP has approved this supplemental request for Remedial Investigation (RI) grant funding on the above-referenced project site and finds the project technically eligible under the HDSRF program, Category 2, Series A.

APPROVAL REQUEST:

The Township of Mount Holly is requesting aggregate supplemental grant funding to perform additional RI activities required by NJDEP in the amount of \$80,215 at the former Regal Custom Fixtures project site. Because the aggregate supplemental funding including this request is \$110,194, it exceeds the maximum staff delegation approval of \$100,000, it therefore requires EDA's board approval. Total grant funding including this approval is \$151,311.

FINANCING SUMMARY:

GRANTOR: Hazardous Discharge Site Remediation Fund
AMOUNT OF GRANT: \$80,215
TERMS OF GRANT: No Interest; No Repayment

PROJECT COSTS:

Remedial investigation	\$80,215
EDA administrative cost	\$500
TOTAL COSTS	\$80,715

APPROVAL OFFICER: K. Junghans

**NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY
PROJECT SUMMARY - HAZARDOUS SITE REMEDIATION - MUNICIPAL GRANT**

APPLICANT: City of Perth Amboy (Former Municipal Complex BDA) P45079
PROJECT USER(S): Same as applicant * - indicates relation to applicant
PROJECT LOCATION: 351 Rector Street Perth Amboy City (T/UA) Middlesex
GOVERNOR'S INITIATIVES: (X) Urban () Edison () Core () Clean Energy

APPLICANT BACKGROUND:

Between May 2011 and January 2017, the City of Perth Amboy, received an initial grant in the amount of \$22,701 under P32391 and supplemental grants totaling \$145,558. The project site identified as Block 140, Lots 1.01, 1.03, 2.01-2.06, 3 and 3.01 is a former Municipal Complex which has potential environmental areas of concern (AOC). It is the City's intent upon completion of the environmental investigation activities, to redevelop the project site for residential and retail use.

The project site is located in a Brownfields Development Area (BDA). This designation establishes a long-term partnership between the applicant, NJDEP and the NJEDA in order to initiate redevelopment of urban, residential, industrial and commercial neighborhoods that are adversely affected by multiple brownfields properties. Additionally, this approach supports growth and encourages mixed uses of previously developed areas.

NJDEP has approved this aggregate supplemental request for Remedial Investigation (RI) grant funding on the above-referenced project site and finds the project technically eligible under the HDSRF program, Category 2, Series A.

APPROVAL REQUEST:

The City of Perth Amboy is requesting aggregate supplemental grant funding to perform RI in the amount of \$30,818 at the former Municipal Complex project site. Because the aggregate supplemental funding including this request is \$176,376, it exceeds the maximum aggregate staff delegation approval of \$100,000 and therefore requires EDA's board approval. Total grant funding including this approval is \$199,077.

FINANCING SUMMARY:

GRANTOR: Hazardous Discharge Site Remediation Fund
AMOUNT OF GRANT: \$30,818
TERMS OF GRANT: No Interest; No Repayment

PROJECT COSTS:

Remedial investigation	\$30,818
EDA administrative cost	\$500
TOTAL COSTS	\$31,318

APPROVAL OFFICER: K. Junghans

**NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY
PROJECT SUMMARY - HAZARDOUS SITE REMEDIATION - MUNICIPAL GRANT**

APPLICANT: City of Trenton (Hetzel Field)

P44380

PROJECT USER(S): Same as applicant

* - indicates relation to applicant

PROJECT LOCATION: 102-190 N Olden Avenue Trenton City (T/UA)

Mercer

GOVERNOR'S INITIATIVES: (X) Urban () Edison () Core () Clean Energy

APPLICANT BACKGROUND:

City of Trenton, identified as Blocks 25601 and 25501, Lots 4.01, 6; 5,6,7 and 8 is a former industrial site which has potential environmental areas of concern (AOCs). The City of Trenton currently owns the project site and has satisfied proof of site control. It is the City's intent, upon completion of the environmental investigation activities to redevelop the project site for recreational use.

NJDEP has approved this request for Remedial Investigation (RI) grant funding on the above-referenced project site and finds the project technically eligible under the HDSRF program, Category 2, Series A.

APPROVAL REQUEST:

City of Trenton is requesting grant funding to perform RI in the amount of \$188,894 at the Hetzel Field project site.

FINANCING SUMMARY:

GRANTOR: Hazardous Discharge Site Remediation Fund

AMOUNT OF GRANT: \$188,894

TERMS OF GRANT: No Interest; No Repayment

PROJECT COSTS:

Remedial investigation	\$188,894
EDA administrative cost	\$500
TOTAL COSTS	\$189,394

APPROVAL OFFICER: K. Junghans

**NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY
PROJECT SUMMARY - HAZARDOUS DISCHARGE SITE REMEDIAT'N PROG PROGRAM**

APPLICANT: Superior-MPM (Manufacturing Property Management) LLC P39520
PROJECT USER(S): Same as applicant * - indicates relation to applicant
PROJECT LOCATION: 86 Hobart Avenue Bayonne City (T/UA) Hudson
GOVERNOR'S INITIATIVES: (X) Urban () Edison () Core () Clean Energy

APPLICANT BACKGROUND:

Superior-MPM (Manufacturing Property Management) LLC was the real estate holding company for DC Plastic Products Corp., currently an inactive corporation. DC Plastic Products Corp. was a blown-film extruder of plastic bags in Bayonne, NJ but ceased operations in 2015. DC Plastic Products Corp. began operation in 2011 as a woman-owned business ("WOB") after completing the acquisition of DC Plastics Inc. DC Plastics Inc. had been in operation since 1984 serving predominately the State and local government markets for trash bags.

On July 13, 2017, the Authority's Board approved this Project under the same terms and conditions as contained in this Project Summary. However, the Applicant was not able to provide all due diligence items necessary to close the loan. As a result, the Project was withdrawn on April 11, 2018. The Applicant has now requested this \$200,000 HDSRF loan be re-activated as it will now be able to comply with all due diligence documents required in the Authority's original approval.

APPROVAL REQUEST:

Approve a \$200,000 loan under the HDSRF program.

FINANCING SUMMARY:

LENDER: Hazardous Discharge Site Remediation Fund
AMOUNT OF LOAN: \$200,000
TERMS OF LOAN: The loan will be structured as a 5-year term with a fixed rate of interest equal to the Federal Discount Rate set at time of approval or closing (whichever is lower) with a floor of 5.00%. No payments will be required and interest will accrue. The loan will have a full balloon payment (principal plus interest) due at the end of the 5 year term or upon sale of the property, whichever occurs first.

PROJECT COSTS:

Remedial investigation	\$118,855
Remedial Action	\$81,145
TOTAL COSTS	\$200,000 *

* - Indicates that there are project costs reported on a related application.

DEVELOPMENT OFFICER: K. Hart

APPROVAL OFFICER: T. Bossert

EDISON INNOVATION FUND

**TECHNOLOGY BUSINESS TAX CERTIFICATE
TRANSFER PROGRAM**



NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

MEMORANDUM

TO: Members of the Authority

FROM: Tim Sullivan
Chief Executive Officer

DATE: August 10, 2018

SUBJECT: Technology Business Tax Certificate Transfer Program:
2018 Program Approvals

BACKGROUND

The Technology Business Tax Certificate Transfer (NOL) Program allows technology and biotechnology companies with fewer than 225 employees in the U.S. and with certain minimum number of full-time employees in the State to sell their net operating losses and/or research and development tax credits to profitable corporate entities. Proceeds from those sales are required to be re-invested in the seller's business.

2018 PROGRAM CYCLE

This year marks the 20th anniversary of the Technology Business Tax Certificate Transfer (NOL) Program. Over the last two decades, over 530 unique companies have been awarded a total benefit amount of more than \$950 million. As in previous Program years, a benefit pool of \$60 million is available to be distributed in State Fiscal Year 2018-2019. Of this \$60 million, \$10 million is reserved for the surrender of transferable tax benefits exclusively by eligible companies operating within the boundaries of the State's three (3) Innovation Zones (technology clusters fostering business-university collaboration).

This year, the Authority received applications from 52 companies requesting a total benefit amount of \$72,749,309 for the 2018 Program.

Program highlights for this year include:

- An 18% increase in the number of applications year over year, the highest since 2014
- The total benefit amount requested is the highest since 2014, a 6.3% increase from 2017
- In this year's program there are 27 applicants (52%) that have identified themselves as technology companies, while the remaining 25 applicant companies (48%) selected that they were biotechnology companies
- Private companies comprised 73% (38) of the applicant pool while the remaining 14 (27%) were publicly traded.
- Included in this year's applicant pool, were 9 companies located in the 3 Innovation Zones
- There are also 16 applicants that leveraged additional EDA benefits outside of NOL Program (see attached exhibit for detail)

- There are 32 returning applicants from last year's Technology Business Tax Certificate Transfer (NOL) Program, of which 5 are returning applicants applying after at least one year away from the Program
- Most notable, is the participation of *15 companies new to the program*, a 36% increase of new applicants from the prior year.

From cancer treatments to artificial intelligence to fungal treatments, these new applicants focus on cutting-edge technology and research with the potential to grow more jobs in the state.

A sampling of some of these *new applicants* include:

AetherPal is a private technology company formed in 2009. By using its Smart Care products to assist customer support representatives, AetherPal aims to drastically reduce the time needed to solve technical issues related to connected device products such as smartphones, tablets, connected cars, and wearables. AetherPal is based in South Plainfield and currently employs 29 people in NJ.

Celsion Corporation is a public biotechnology oncology drug company formed in 2000 that is focused on creating innovative cancer treatments. Celsion employs 25 people at its base of operations in Lawrenceville.

IoTecha is a private technology company formed in 2015 that has developed a platform, which allows millions of electric vehicles to integrate with the power grid. IoTecha employs 7 people and is located in Piscataway, which is in one of the New Jersey's three designated Innovation Zones.

SCYNEXIS, Inc. is a public biotechnology company based in Jersey City that is committed to creating ground-breaking anti-infective treatments for life-threatening fungal infections. Formed in 1999, SCYNEXIS now employs 21 people.

WellSheet Inc. is a private technology company formed in 2015 that employs 7 people and is based in Newark. The Company uses artificial intelligence and machine learning to assist doctors with the treatment of patients.

As detailed on the attached, for the 2018 Program, 49 applicants are recommended for approval, and are estimated to receive a total of \$60,000,000, giving an approximate average of \$1.22 million per applicant. There is one application being recommended herein for declination, as they did not meet the program legislative requirements as summarized on Attachment B. Two additional companies withdrew their application from this year's Program.

RECOMMENDATION:

Based on evaluations by Authority staff, approval is recommended for the listed applicants on Attachment A, which have been evaluated according to the criteria established by the Members of the Board and met the criteria for approval. Disapproval is recommended for the listed applicant that failed to meet all the eligibility criteria for approval.



Tim Sullivan, CEO

Prepared by: Matthew Fields

Attachment A: Recommended Approvals		IZ = Applicant in Innovation Zone L = Applicant Leveraged additional EDA benefits CC = Applicant Leveraged CCIT N = Applicant New to the program R = Applicant Returning to the program after an absence	
1	Acuitive Technologies, Inc.	L	Angel Investor Tax Credit
2	Admera Health LLC.	N, L	Edison Innovation VC Growth Fund, NJ Founders & Funders participant
3	AetherPal Inc.	N, L	Edison Innovation VC Growth Fund
4	Angel Medical Systems		
5	Arable Labs Inc.		
6	Bellerophon Therapeutics, Inc.	CC	CCIT Tennant
7	Brilliant Light Power, Inc.		
8	Cancer Genetics, Inc.		
9	Celsion Corporation	N, L	BEIP
10	CircleBlack, Inc.	L	Angel Investor Tax Credit, NJ Founders & Funders participant
11	Connotate, Inc.	IZ, R	
12	ContraVir Pharmaceuticals, Inc.		
13	CorMedix Inc.	R	
14	CRESCENTA BIOSCIENCES INC	L	Angel Investor Tax Credit
15	CytoSorbents Medical, Inc.	L	Venture Fund Investment
16	Deltronic Crystal Industries, Inc.	R	
17	doForms NJ, Inc.		
18	Edge Therapeutics	L	Angel Investor Tax Credit, Edison Innovation VC Growth Fund (loan converted to equity, warrant position)
19	Elite Laboratories, Inc.		
20	Engage Therapeutics	N	
21	Enhatch Inc.		
22	Eos Energy Storage LLC	R	
23	Gadget Software, Inc.	N	
24	Hemispherx Biopharma, Inc.	IZ	
25	Impactivate Networks, Inc.	L	NJ Founders & Funders participant
26	IoTecha Corp	IZ, N	
27	Matinas Biopharma Nanotechnologies		
28	MDx Medical, Inc.		
29	Miami International Holdings, Inc.		
30	Mobly Inc.		
31	MYOS RENS Technology Inc.		
32	Nanotech Industrial Solutions		
33	Nephros, Inc.		
34	Ocean Power Technologies, Inc.	L	Springboard Fund (loan), BPU Grant
35	Oncobiologics		
36	Provention Bio, Inc.	N	
37	Radius8, Inc.	N, L	NJ Founders & Funders participant
38	Rafael Pharmaceuticals, Inc.	IZ, R	
39	Reflik, Inc.	IZ, N, L	Angel Investor Tax Credit, NJ Founders & Funders participant, CoVest Fund
40	Rive Technology, Inc.		
41	SCYNEXIS, Inc.	N	
42	Solidia Technologies	IZ, L	BEIP, BPU Grant
43	Soligenix, Inc.		
44	SPECIALNEEDSWARE, INC.	IZ, N	
45	Svelte Medical Systems, Inc.	L	Angel Investor Tax Credit
46	TAXIS Pharmaceuticals, Inc.	L, R, CC	Angel Investor Tax Credit, NJ Founders & Funders participant, CCIT Tenant
47	TrialScope, Inc	N	
48	United Silicon Carbide, Inc.	L	Edison Innovation Green Growth Fund (loan), Angel Investor Tax Credit
49	WellSheet Inc.	IZ, N	

**Attachment B:
Recommended Declination**

Authorized Luxury Group (dba Troverie):

Staff is recommending Authorized Luxury Group (dba Troverie) be declined from participating in the 2018 Technology Business Tax Certificate Transfer Program as they did not meet the Program definition of a “Technology business that owns, has filed for, or has a license to use protected, proprietary intellectual property **whose primary business** is the provision of a scientific process, product, or service and that employs some combination of the following: highly educated and/or trained managers and workers employed in New Jersey who use sophisticated scientific research, service or production equipment, processes or knowledge to discover, develop, test, transfer or manufacture a product or service” set forth in § 19:31-12.2.

In the information submitted with the application the borrower’s own written description is that it is a “site which is the first omni-channel platform integrating mom & pop independent jewelers on behalf of leading luxury brands and customers across the country” with an initial product/merchandise focus on selling fine watches. Furthermore the applicant went on to explain, “**their core business model is focused on leveraging technology to eradicate limitations of the fragmented watch and jewelry industry” .**

Accompanying this self-definition was the definition in the company’s financial statements that the applicant is engaged in the E- Commerce sale of luxury watches. The company’s own website describes them as an authorized retailer of luxury watches and the funding database, CrunchBase defines the company as a “developer and operator of an e-commerce platform”

Staff analysis and the review of the Authority’s incentive committee, concluded that the **primary business** of the applicant company is not technology as per the legislative definition above. While the company utilizes technology to enhance the means through which it sells watches, the technology serves to support its primary business.

OFFICE OF RECOVERY

ENERGY RESILIENCE BANK (ERB) PROGRAM



MEMORANDUM

TO: Members of the Authority

FROM: Tim Sullivan
Chief Executive Officer

DATE: August 10, 2018

RE: Energy Resilience Bank – RWJBarnabas Health Somerset CHP Project Funding Recommendation

Request:

The Members are requested to: (1) deem the RWJBarnabas Health Somerset CHP Project preliminarily eligible for Energy Resilience Bank (ERB) funding; (2) approve moving the project forward to the next phase of the ERB program review and approval process; (3) reserve \$11,577,036 of ERB funds for the project; and, (4) authorize the execution of ERB program funding documents with RWJBarnabas Health – Somerset consistent with the terms set forth herein, with the understanding that any material changes to project scope or budget will be brought back to the board for reconsideration.

ERB Program:

In July, 2014, the Members approved the creation of the Energy Resilience Bank, initially capitalized with \$200 million of Community Development Block Grant Disaster Recovery (“CDBGDR”) funds, to address statewide energy resilience needs. In October 2014, the Members approved the ERB Financing Program Guide and launched ERB’s Funding Round 1 for Water and Wastewater Treatment Facilities and in October 2015, the Members approved ERB’s Funding Round for Hospitals and Related Healthcare Facilities.

The intent of the ERB is to finance the installation or upgrading of commercially available and cost effective resilient energy technologies at critical facilities. ERB is focused on effective distributed energy resource (DER) technologies, including combined heat and power and fuel cells, which are designed to start up and function in “island” mode, disconnected and isolated from the grid during a power outage or other event.

Applicants must be eligible entities and must demonstrate that the critical facility was either directly or indirectly impacted by Superstorm Sandy or directly impacted by another qualifying

disaster. Priority, as established through the ERB scoring system, is placed on projects which serve low and moderate-income communities. ERB projects must be permanently installed at a critical facility, must be constructed or elevated above FEMA's best available data for base flood elevations, and be operational within two years of the ERB closing.

In conformance with HUD's CDBG-DR funded infrastructure program requirements, all projects undergo a comprehensive risk analysis which incorporates a detailed technical feasibility, criticality and resiliency, and cost benefit/project economics review to determine program and funding eligibility. Each project is assessed on the technical specifications of the project including the technology used, size and scale, criticality, resiliency, environment review, applicant credit, cost and revenue estimates, and overall feasibility. Scoring criteria reflect the comprehensive risk analysis framework as shown in the attached Scoring Chart. Projects are scored on a 100-point system and must meet a minimum eligibility threshold score of 50 points to be considered eligible for ERB project financing.

ERB funding is determined and provided on a per project basis as a combination of grant/forgivable loan and amortizing loan based on the project's unmet need and ownership structure. For public and not-for-profit applicants, ERB will provide 100% of the project's unmet need as:

- 1) a grant/forgivable loan (not to exceed \$25 million) for all eligible resilient costs, as described in the Program Guide;
- 2) a grant/forgivable loan equal to 40% of the remaining eligible project costs; and,
- 3) an amortizing, 2% interest rate loan with a term up to 20 years, for the balance of ERB project funding.

RWJBarnabas Health Jersey City Medical Center CHP Project

Applicant: RWJBarnabas Health is a not-for-profit organization located in West Orange, NJ. It was formed in November 2015 upon the merging of Barnabas Health, Inc. and Robert Wood Johnson University Hospital. RWJBarnabas Health is the most comprehensive health care delivery system in New Jersey, treating over 3 million patients a year. The system includes eleven acute care hospitals, three acute care children's hospitals and a pediatric rehabilitation hospital, a freestanding 100-bed behavioral health center, ambulatory care centers, geriatric centers, the state's largest behavioral health network, comprehensive home care and hospice programs, fitness and wellness centers, retail pharmacy services, a medical group, multi-site imaging centers and four accountable care organizations. RWJBarnabas Health has more than 32,000 employees, 9,000 physicians, and 1,000 residents and interns. The health systems contributed a combined total of over \$550 million in community benefit services annually.

RWJBarnabas Health owns Somerset Medical Center, which is also known as RWJ University Hospital Somerset. Somerset Medical Center is a nationally accredited medical center providing a variety of comprehensive emergency, medical, surgical and rehabilitative service to residents of central New Jersey. Somerset's 650 member medical and dental staff represent all major medical specialties with one of the highest percentages of board certified doctors in NJ. Somerset is a clinical research affiliate of The Cancer Institute of New Jersey and operates the Steeplechase Cancer Center. Somerset Medical Center's primary service area includes 22 municipalities, primarily in Somerset County. Barry H. Ostrowsky serves as the President and Chief Executive Officer of RWJBarnabas Health.

Project Location: Somerset Medical Center, 110 Rehill Avenue, Somerville, NJ

Project Summary: Consistent with ERB and HUD CDBG-DR program requirements, RWJBarnabas Health will develop a new combined heat and power system on their Somerset Medical Center campus in Somerville. The project will be constructed above minimum base flood elevations and will include a 1.5 MW natural gas reciprocating engine-based CHP system that will be interconnected within the facility with the necessary blackstart and islanding system controls to be able to operate independently from the grid in case of a power outage or other emergency.

National Objective: – Urgent Need – Tie to the Storm - Located in Somerville, Somerset County. Hurricane Irene caused instability in Somerset County’s electric power supply which caused Somerset Medical Center’s electrical equipment to operate erratically, which ultimately resulted in damage to certain gauges and pressure reducing valves. Superstorm Sandy also inflicted power outages to Somerset Medical Center and the hospital’s emergency diesel generators were engaged to maintain emergency services.

Project Review: RWJ Barnabas Somerset CHP Project is an eligible project at a critical facility which is to be developed within a two-year period by an eligible non-profit applicant, and which meets all ERB program eligibility requirements. EDA reviewed documentation from the applicant to determine there would be no Duplication of Benefits. The New Jersey Board of Public Utilities (BPU) has evaluated the project to determine it meets technical and feasibility requirements as defined in the MOU between the EDA and BPU. Per the Rutgers CEEEP comprehensive cost benefit analysis, the project and reliability benefits yield a result of 1.3, when taking into account the full project costs, which factored in the economic, emission and resilience costs and the economic, emissions and resiliency benefits of the project. When complete, the project will allow the hospital to start-up and isolate from the electrical grid and continue operating and providing needed community services and benefits in the event of future storms, disasters, or emergency situations.

Project Scoring: The project received a project score of 65 as outlined below and exceeds the minimum score of 50 required for program eligibility.

Project Funding and ERB Funds: The estimated Total Project Cost is \$ 11,577,036. It is estimated that \$ 4,685,753 are resilient related costs per ERB program guidelines. All preliminary costs and technologies have been reviewed by BPU identifying them as cost reasonable and necessary. Consistent with the ERB’s Financing and Program Guide, the Somerset CHP project will be provided with the following, subject to cost reasonableness analysis and review of final project costs:

ERB Grant:	\$ 7,442,267
ERB Loan Funding:	\$ 4,134,769 (2% interest rate, 20-year term)

Loan Repayment: The financing will be a general obligation to the hospital with the projected annual cost of \$ 251,005. Through the established feasibility and technical review, the annual net energy cost savings combined with estimated annual operating and maintenance costs/savings projected from development of the CHP project is approximately \$ 496,509, which is sufficient to repay the project loan within the loan terms. RWJBarnabas Health, through its recent mergers and positive operations, has steadily improved its operating and financial profiles resulting in upgraded

bond ratings in October 2016. RWJBarnabas issued new debt and consolidated other bonds through the New Jersey Health Care Facilities Financing Authority. S&P raised their long-term rating to A+/Stable (from A-) and assigned an AA+/A-1 rating to two new bond issuances; on December 18, 2017, S&P Global revised its outlook to positive from stable and affirmed its 'A+' long-term rating on debt various issuers have issued for RWJBarnabas Health. Moody's assigned an A1 rating to the October 2016 bond issuance, and on December 18, 2017 affirmed the A1 debt rating.

Other Applicant/Affiliated Funding: RWJBarnabas Health's Livingston CHP project for the St. Barnabas Medical Center was reviewed by the EDA Board in February 2017 and the Board reserved \$12,858,502 of ERB funds for the project. In addition, RWJBarnabas Health's Newark Beth Israel Medical Center CHP project was reviewed by the EDA Board in March 2017 and the Board reserved \$15,176,079 of ERB funds for the project. RWJBarnabas Health's Jersey City Medical Center CHP Project was reviewed by the EDA Board in June 2017 and Board reserved \$8,526,758 of ERB funds for the project. These projects have moved forward to the next phase of the ERB program review and approval process, which involves completion of environmental assessments conducted by the New Jersey Department of Environmental Protection. Including the RWJBarnabas Somerset CHP project, as of today the aggregate ERB funding to RWJBarnabas Health will total \$48,138,375, of which \$15,624,343 are loan funds to be repaid.

ERB Program Fund Balance: After today's action, \$176,609,294 in Energy Resilience Bank funding will have been reserved for ERB projects. The total ERB program funding of \$200 million from HUD includes a maximum 15% allocation of funds for program delivery expenses, which ERB does not plan to spend in its entirety, thus there is available funding for this project.

Recommendation:

The Members are requested to: (1) deem the RWJBarnabas Health – Somerset CHP Project preliminarily eligible for Energy Resilience Bank (ERB) funding; (2) approve moving the project forward to the next phase of the ERB program review and approval process; (3) reserve \$11,577,036 of ERB funds for the project; and, (4) authorize the execution of ERB program funding documents with RWJBarnabas Health – Somerset consistent with the terms set forth herein, with the understanding that any material changes to project scope or budget will be brought back to the board for reconsideration.



Attached:

- Project Funding and ERB Financing and Scoring Sheet

Prepared by: Russel Like

RWJBarnabas – Somerset CHP Project

August 2018

Project Funding and ERB Financing <i>(Public Applicant)</i>	
Total Project Costs:	\$ 11,577,036
Project Funding Sources: \$ 11,577,036	
Resilient Costs	\$ 4,685,753
40% Grant on Remaining Costs	\$ 2,756,514
Total ERB Grant Funding:	\$ 7,442,267
ERB Loan Funding: <i>(2%, 20-year term)</i>	\$ 4,134,769
<i>Other Project Funding:</i>	\$ 0

RWJBarnabas Somerset CHP PROJECT		August 2018
ERB Scoring Criteria	Weight in Points	PROJECT SCORE
1. Technology Efficiency/Economic Cost Effectiveness <i>a. 20 points for a cost-benefit ratio greater than 1.25</i> <i>b. 10 points for a cost-benefit ratio between 1.0 and 1.25 (including 1.25)</i> Cost-Benefit Ratio less than 1.0 - INELIGIBLE	20	20
2. LMI Area Benefit <i>a. 25 points if HUD LMI Area Benefit is greater than 51%</i> <i>b. 20 points if HUD LMI Area Benefit is between 35% - 50.99%</i> <i>c. 15 points if HUD LMI Area Benefit is between 20% - 34.99%</i>	25	15
3. Most Impacted Communities <i>a. 15 points if facility serves 3 or more municipalities listed</i> <i>b. 10 points if facility serves 1 or 2 municipalities listed</i> <i>c. 0 points if facility serves no municipalities listed</i>	15	0
4. Readiness To Proceed <i>a. 10 points if project completion reasonably expected within 15 months</i> <i>b. 5 points if project completion reasonably expected 15 - 20 months</i> <i>c. 0 points if project completion reasonably expected in 20 – 24 months</i>	10	5
5. Criticality <i>(using Office of Homeland Security & Preparedness State Asset database)</i> <i>a. 20 points if facility type is listed</i> <i>b. 0 points if facility type is NOT listed</i>	20	20
6. Microgrid <i>a. 5 points if more than one free-standing facility interconnection</i> <i>b. 0 points if only a single free-standing facility interconnection</i>	5	0
7. Facility Energy Efficiency <i>a. 5 points if project meets or exceeds the general state program performance requirements of reducing energy consumption or increasing efficiency by 15%</i>	5	5
Minimum Score of 50 Needed	TOTAL PROJECT SCORE:	100
		65



MEMORANDUM

TO: Members of the Authority

FROM: Tim Sullivan
Chief Executive Officer

DATE: August 10, 2018

RE: Energy Resilience Bank – Bergen County Utilities Authority Resiliency Project Funding Modification Recommendation

Request:

The Members are requested to modify the July 14, 2016 Board action for the Bergen County Utilities Authority (BCUA) project under the Energy Resilience Bank (ERB) program due to a revised project scope as a result of BCUA's successful appeal to the Federal Emergency Management Agency (FEMA).

Background:

The Bergen County Utilities Authority is responsible for wastewater treatment and solid waste management services for Bergen County municipalities. BCUA's Little Ferry water pollution control facility (LFWPCF) and collection system consists of approximately 90 miles of sewer interceptor lines and eight pumping stations serving all or part of 46 municipalities and 20 private customers in Bergen County, for a total wastewater service population of 536,000. The individual municipalities own and operate the sewers discharging to the BCUA interceptors. The LFWPCF is a 109 million gallon a day public wastewater treatment facility. Robert Laux is the Executive Director of the BCUA.

In July 2016, the BCUA project was presented to the EDA Board for review and funding consideration under the ERB program. The original proposal to ERB for \$26,990,350 was to implement a resiliency project at their LFWPCF site that included 3 components to help enable BCUA to remain operational in the event of future storms, disasters, or emergency situations:

1. Retrofit two existing Combined Heat and Power (CHP) Cogeneration units with black start and islanding capabilities and floodproof certain buildings/areas (estimated cost \$3,385,551).
2. Raise substations to protect power assets from flooding and to avoid cascading impacts to the entire Little Ferry plant that could be caused by flooding of the substations. This may include and require rerouting of conduit systems, replacement of feeders, distribution wiring, transformer, assets and conductors, and construction of additional structures to complete the installations and/or to replace

some substation assets above the proposed base flood elevation levels (estimated cost \$18,798,744).

3. Purchase a 175,000-cubic foot biogas storage tank to stabilize the fluctuation in biogas supply and demand and provide BCUA with the capability to augment biogas feeding the CoGen units during power outages, to make the system more resilient (estimated cost \$4,806,054).

At the time of submission to ERB and EDA's subsequent Board action, BCUA was appealing a denial decision by FEMA for various projects, which included the substations project. In September 2017, BCUA was informed by FEMA that FEMA reversed their original decisions and through a series of obligation letters FEMA has to date obligated \$30.1 million in funding for all 14 projects, with \$28.9 million associated with the ten facility restoration and flood mitigation projects.

Parts of the obligated FEMA mitigation funding under Project Worksheets 4913 and 4914 specifically relate to the elevation of substations and installation of floodwalls around the blower, co-generation, and switchgear buildings, which are assets which contribute to the power supply at the facility. These were originally proposed to be funded as part of the ERB project since FEMA had originally denied the projects but now FEMA has obligated \$11.8 million for these two mitigation projects.

Revised Project Scope and Funding Modification:

Following FEMA's approval to fund the large substations and elevation/floodproofing projects, BCUA then asked EDA to consider a project scope change, retaining one portion of the original ERB project components, deleting another, modifying one portion, and adding additional components, as outlined below:

1. Retrofit two existing Combined Heat and Power (CHP) Cogeneration units with black start and islanding capabilities, of which floodproofing is no longer part of this as FEMA funds are paying for that component (estimated cost \$1,748,885).
2. Anaerobic digester membrane cover system, which modifies the original project scope for the biogas storage tank (estimated cost \$13,655,675).
3. Anaerobic digester system upgrades/ improvements to efficiently maximize the addition and life cycle of the digester membrane system above, increasing on-site fuel supply production, capturing, and storage maximization. (estimated cost \$16,040,000).

Cumulatively, these changes will result in a more resilient and green BCUA with the ability to capture additional fuel supply and maximize the storage capacity.

While cumulatively the total project costs have increased from \$26,990,350 to \$31,444,560 the ERB financing request remains the same at \$26,990,350, while the grant and loan values remain nearly identical as the July 14, 2016 Board reservation approval.

Project Review: Bergen County Utilities Authority revised project is an eligible project at a public critical facility which meets all ERB program eligibility requirements. The project will be developed within the requisite two-year period, with earlier project milestones established for completion of specific project components throughout that period. The New Jersey Board of Public Utilities (BPU) has evaluated the revised project scope to determine it meets ERB program technical and feasibility requirements. When complete, the project will allow BCUA to start-up and isolate from the electrical grid and continue operating and providing needed wastewater treatment services to the broader community in the event of future storms, disasters, or emergency situations. In February 2018, HUD accepted New Jersey's

determination that the BCUA ERB project does not meet the definition of a Covered Project as detailed in 78 FR 69168, November 18, 2013.

Project Funding and ERB Funds: The estimated Total Project Cost is now \$31,444,560 and BCUA will provide \$4,454,210 of their own funds to the project. It is estimated that \$19,795,186.73 are reasonable resilient related costs per ERB program guidelines. Consistent with the ERB's Financing and Program Guide, the BCUA project will be provided with the following, subject to cost reasonableness analysis and review of final project costs:

ERB Grant:	\$25,070,690	(original approval \$25,075,119)
ERB Loan Funding:	\$1,919,660	(original approval \$1,915,231) (2% interest rate, 20-yr term)

Loan Repayment: The financing will be a general operating cost to BCUA with the projected annual loan repayment of \$116,534. This is a resiliency project and will not be creating energy cost savings. BCUA will rely on its general budget appropriation process (customer rate structure) and/or bond resolution for repayment of the ERB loan. BCUA had a strong financial profile in 2014 and staff confirmed their rating remains investment grade, which is for Moody's (Aa3 affirmed) and S& P (AA-), both showing a strong positive outlook.

ERB Program Fund Balance: After today's action, \$176,609,294 in Energy Resilience Bank funding will have been reserved for ERB projects. The total ERB program funding of \$200 million from HUD includes a maximum 15% allocation of funds for program delivery expenses, which ERB does not plan to spend in its entirety, thus there is available funding for this project.

Recommendation:

The Members are requested to modify the July 14, 2016 Board action as described herein for the BCUA project under the ERB program due to a revised project scope as a result of BCUA's successful appeal to FEMA.



Prepared by: Bruce Ciallella

**STRONGER NJ BUSINESS LOANS &
NEIGHBORHOOD & COMMUNITY REVITALIZATION PROGRAM**



MEMORANDUM

TO: Members of the Authority

FROM: Timothy Sullivan
Chief Executive Officer

DATE: August 10, 2018

SUBJECT: Extension of Project Completion Deadline for the Stronger NJ Business Loan Program and the Neighborhood & Community Revitalization Programs

Request:

The Members are asked to approve an extension of the completion deadline for applicants under the Stronger NJ Business Loan Program (“SBL”) and the Neighborhood & Community Revitalization Programs (“NCR”) to December 31, 2021, which is 9 months prior to the deadline established by the U.S. Department of Housing and Urban Development (“HUD”).

Background:

In May 2017, in recognition of the challenges faced by applicants of the Stronger NJ Business Loan Program and the Neighborhood & Community Revitalization Programs, including the federally required environmental and historic reviews conducted by the Department of Environmental Protection (“DEP”), HUD approved an extension to the two-year window for funds drawn down in 2015, which allows the EDA until September 2022 to utilize the funds. At the June 13, 2017 meeting, the Members approved the extension of the completion deadline for the Stronger NJ Business Loan Program from June 1, 2017 to September 1, 2018, with an additional six-month extension if required. Similarly, completion deadlines for eligible NCR projects have been extended on an individual basis by way of delegated authority.

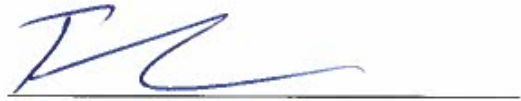
The programs have been extremely successful, having disbursed over \$131 million to over 150 businesses and municipalities throughout the State. In the NCR program, sixteen projects are still underway, with five having not yet begun construction. In addition, in the SBL program, ten projects are currently underway and two projects are under review for eligibility.

It has become evident that due to the aforementioned challenges which have had the unanticipated effect of pushing back the construction schedules originally submitted with applications, many of the projects require additional time beyond the formerly approved deadlines to not only complete the entire construction project, but also to adequately meet all regulations and allow the NJEDA time to process final disbursements and complete close-out tasks required upon project completion. At this time, eleven NCR projects will require extensions past the current September 1, 2018 date, as well as four SBL projects currently under construction.

Therefore, in order to best serve our applicants and to eliminate the necessity for additional board action requesting extensions in smaller increments or for individual projects, the staff recommends providing SBL and NCR applicants with the opportunity to extend their final disbursement deadline to the December 31, 2021.

Recommendation:

The Members are asked to approve the extension of the completion deadline for the Stronger NJ Business Loan Program and the Neighborhood and Community Revitalization Programs to December 31, 2021, which aligns with the deadline set by HUD.

A handwritten signature in blue ink, consisting of stylized initials, is written above a horizontal line.

Prepared by: Kim Ehrlich

STRONGER NJ BUSINESS LOAN MODIFICATION



TO: Members of the Authority

FROM: Tim Sullivan
Chief Executive Officer

DATE: August 10, 2018

SUBJECT: S Kelly Corporation dba Mad Hatter Sports Bar & Restaurant and
Kelly Management Group, LLC
Sea Bright Borough, Monmouth County
P40547

Modification Request

Approval is requested to consent to a new \$3 million loan from Savoy Bank in a superior position to the EDA's construction loan previously approved under the Stronger NJ Business Loan Program.

Background

On March 12, 2015, S Kelly Corporation dba Mad Hatter Sports Bar & Restaurant and Kelly Management Group, LLC ("Mad Hatter" or "Company") were approved for a \$1.5 million 30-year working capital loan and \$3.5 million 30-year construction loan under the Stronger NJ Business Loan program. The working capital loan was reduced to \$1.44 million on March 26, 2015 under delegated authority and then further reduced to the final loan amount of \$1.20 million on September 19, 2016 on completion of the disbursement process. This resulted in undisbursed proceeds under the working capital loan approval. Under delegated authority, this undisbursed amount was transferred to the construction loan which increased it from \$3.5 million to \$3.8 million.

Mad Hatter is a casual Jersey shore restaurant located in Sea Bright, NJ. The restaurant is best known for its pizza, private parties and family dining for lunch and dinner. The Company also operates an Irish pub, sports bar, and nightclub in the same building. The Company was founded on November 3, 2005.

Mad Hatter's building sustained substantial wind, flood, and ocean surge damage from Superstorm Sandy on October 29, 2012. The building was torn down and is being raised and rebuilt to adhere to FEMA V-Zone requirements, ABFE elevations, and current hurricane codes.

A contractor developed a preliminary \$3.5 million budget immediately after Superstorm Sandy based on the construction of a three-story elevated commercial building. This \$3.5 million budget was the basis for the original \$3.5 million loan request noted above. In the fourth quarter of 2016, the Company engaged the services of Longview Construction, LLC, a construction management and general contractor with a specialty in retail stores, restaurants, and fitness centers. With the hiring of Longview Construction, LLC, a detailed design, engineering, and permitting review of the damages suffered in Superstorm Sandy and the cost to rectify the damages was undertaken. This review revealed that the preliminary construction budget needed to be significantly increased to \$6.48 million, resulting in the proposed increase to the Project cost. This revised construction budget includes demolition and the installation of pilings. The building's total square footage upon completion will be approximately 17,000 square feet.

Conditions of Closing


The receipt and satisfactory review of Savoy Bank's construction loan commitment letter.

The receipt and satisfactory review of Savoy Bank's construction loan approval memorandum.

Recommendation

Approve the consent of a \$3 million loan from Savoy Bank in a superior position, only in collateral, to the EDA's construction loan.

The additional debt from the Authority and Savoy Bank to Mad Hatter is recommended based on projected cash flow meeting a minimum 1.10x DSCR once the construction loan begins to amortize.



Tim Sullivan

Prepared by: Matt Boyle, Senior Real Estate Underwriter

REAL ESTATE



MEMORANDUM

TO: Members of the Authority

FROM: Tim Sullivan
Chief Executive Officer

RE: BB&T Pavilion (f/k/a Tweeter Center)
One Harbour Boulevard, Camden
Lease Agreement with Live Nation

DATE: August 10, 2018

Summary

I am requesting the Members' approval to lease $\pm 2,156$ sf of office space to Live Nation at the Camden Amphitheatre in Camden, also known as the BB&T Pavilion ("BB&T").

Background

In 1994, NJEDA entered into a Lease Agreement with Pavilion Partners (now known as Live Nation) to construct and lease the facility now known as the BB&T Pavilion. Live Nation also maintains this facility. The Pavilion lease, executed in March 1994, runs for a term of 31 years (until December 31, 2025) and provides for two extension periods of 20 and 10 years, respectively. The initial construction of the Amphitheatre included space for the South Jersey Performing Arts Center, an arts related non-profit, which briefly operated in the office space, but no longer exists.

In 2009, the Authority entered into a lease agreement with the Institute for the Development of Education in the Arts (IDEA) a non-profit entity, for the lease of approximately $\pm 2,156$ square feet of office space located in a portion of BB&T (the "Office Space").

In 2016, the IDEA lease was terminated. Live Nation, the operator of the BB&T uses the Black Box Theater adjacent to the Office Space. In fact, Live Nation has also had exclusive use of the Office Space pursuant to a License Agreement with the Authority. The License Agreement will expire upon execution of the new lease.

On May 25, 2018, NJEDA issued a public Request for Proposals ("RFP") to lease the vacant $\pm 2,156$ square feet of office space located within the BB&T Pavilion. The RFP required the completion of a rent proposal form on which the proposer would provide:

1. Rent for the five-year term
2. Rent credit that would be provided in lieu of a tenant fit out allowance
3. Proposed investment in the space
4. Years for the renewal option, if any

Proposals were due on June 27, 2018 and NJEDA received only a proposal from Live Nation, which provided the rent for the term (\$5.56 sf for 5 years with no increases and 10% of the space specific event revenue), requested no rent credit, and requested one two-year renewal option. However, the proposal did not include a proposed capital investment, and Real Estate staff deemed the proposal non-responsive due to this omission.

Real Estate staff determined that the business terms in the response to the RFP submitted by Live Nation was reasonable and that no RFP submittal requirements were ambiguous, confusing or otherwise defective. Based on the foregoing, Real Estate staff was able to negotiate with Live Nation to determine the lease award.

Because NJEDA did not receive an acceptable complete response to the RFP, Real Estate staff recommends negotiating directly and entering into a lease with Live Nation that will expire on December 31, 2025, which is the end of the initial term of the March 1994 Lease Agreement.

The lease will include the following terms:

Premises:	±2,156 sf office space
Term:	New Lease Commencement Date until the end of the initial term the March 1994 Lease Agreement
Renewal option:	2 years
Rent:	\$5.56 sf, with no annual increases, plus 10% of the event revenue generate from the Premises
Landlord's Tenant Improvement Allowance:	\$0
Tenant's Capital Investment:	Minimum of \$25,000

Real Estate Staff will work with the Attorney Generals' Office and Live Nation to determine whether the lease will be a separate lease or an amendment to the March 1994 Lease Agreement lease for the Office Space.

Recommendation

In summary, I request the Members' approval to enter into a lease with Live Nation to incorporate the office space at the Camden Amphitheatre on terms generally consistent with this memo, and any and all other documents required to effectuate this transaction, on final terms acceptable to the Attorney General's Office and the Chief Executive Officer.



Tim Sullivan
Chief Executive Officer

Prepared by: Juan Burgos



MEMORANDUM

TO: Members of the Authority

FROM: Tim Sullivan
Chief Executive Officer

DATE: August 10, 2018

RE: Second Amendment to Memorandum of Understanding
Former Riverfront State Prison Site, Camden, NJ

Summary

I am requesting the Members approval to execute the Second Amendment to the Memorandum of Understanding (“Second Amendment”), between the Authority and the Department of Treasury, Division of Property Management and Construction (“DPMC”), regarding the disposition of the former Riverfront State Prison in Camden, New Jersey.

Background

In May 2009, EDA entered into a Memorandum of Understanding with DPMC to assist in the planning and facilitation of the demolition and future development of the former Riverfront State Prison site (the “Property”).

The parties entered into a subsequent Memorandum of Understanding dated June 28, 2013 (the “June 28th MOU”) further defining their roles and responsibilities in planning the development and disposition of the Property. EDA was requested to accept the Property from the State and manage the sale of the Property to a redeveloper, subject to the approval of the State Treasurer, EDA Board Members, and the State House Commission. As outlined in PL 2013, c.21, the Property has been declared as surplus as to the needs of the State and the Treasurer is authorized to transfer all of the State’s right, title and interest in the Property to EDA.

-2-

In March 2014, the parties executed the First Amendment to the June 28th MOU authorizing EDA to construct parking lot improvements for approximately 660 cars on an interim basis until future development occurs on the Property.

In November of 2016, EDA publicly advertised a Request for Qualifications (“Developer RFQ”) for potential developers to purchase the Property. No qualification submittals were received.

In May 2017, the City of Camden, DPMC and EDA entered into a Memorandum of Understanding (the “May 2017 MOU”) regarding the construction, maintenance and operation of park and roadway improvements to be constructed on a portion of the Property. Pursuant to the terms of the May 2017 MOU, the City of Camden is maintaining and operating the park and roadways until those two lots are transferred to the City.

Due to recent construction activities and development along the Camden Waterfront, EDA intends to reissue the Developer RFQ through a public process.

Pursuant to the terms of the First Amendment to the June 28th MOU, the MOU expires on March 27, 2019 and the Parties wish to extend the collective term for an additional five (5) years, allowing EDA to manage the parking lot, the City of Camden Parking Authority (in lieu of the City itself) to maintain and operate the parking lot, and providing sufficient time for EDA to dispose of the Property as outlined in PL 2013, c.21 and the June 28th MOU. This Second Amendment will earlier terminate upon a sale or transfer of the Property either to EDA or a third party.

Attached is the proposed Second Amendment to Memorandum of Understanding between DPMC and EDA, which is in substantially final form. The final document may be subject to revision, although the basic terms will remain consistent with the attachment. The final terms of the Second Amendment will be subject to the approval of the Chief Executive Officer, the Attorney General’s Office, and DPMC.

Recommendation

In summary, I ask for the Members’ consent to enter into the Second Amendment to Memorandum of Understanding with DPMC, generally consistent with the form attached hereto.



Tim Sullivan
Chief Executive Officer

Attachment
Prepared by: Donna T. Sullivan

SECOND AMENDMENT TO MEMORANDUM OF UNDERSTANDING

This Second Amendment to Memorandum of Understanding ("Second Amendment") dated the ___ day of _____, 2018, will confirm the mutual understanding and intention between the New Jersey Department of the Treasury, Division of Property Management & Construction ("DPMC") and the New Jersey Economic Development Authority ("EDA") regarding the extension of the Memorandum of Understanding related to the former Riverfront Prison site in Camden, New Jersey (the "Project"). DPMC and EDA are collectively referred to herein as the "Parties."

On May 29, 2009, EDA entered into a Memorandum of Understanding with DPMC to assist in the planning and facilitation of the demolition and future development of the former Riverfront State Prison ("Prison"), including \$200,000 in funding for demolition planning and engineering. In July 2009, the Delaware River Port Authority Board authorized an allocation of up to \$6 million in funding to EDA for the demolition, site remediation, improvements, and other related work at the site.

As outlined in a Memorandum of Understanding between DPMC and EDA dated June 28, 2013 (the "June 28th MOU"), DPMC and EDA agreed to further define their roles and responsibilities in planning the development and disposition of the Prison which was situated on approximately 16 acres of land in the City of Camden known as Block 79, Lot 13 (the "Property"). EDA was requested to accept the Property from the State and manage the sale of the Property to a redeveloper, subject to the approval of the State Treasurer, EDA Board Members, and the State House Commission. As outlined in PL 2013, c.22, the Property has been declared as surplus as to the needs of the State and the Treasurer is authorized to transfer all of the State's right, title, and interest in the Property to EDA. To date, the sale and transfer has not occurred.

As outlined in the First Amendment to the June 28th MOU dated March 28, 2014, EDA constructed parking lot improvements for approximately 660 cars on an interim basis until future development occurs on the Property. Additional parking capacity was required for patrons of events held at the Camden Waterfront, specifically, the BB&T Pavilion ("BB&T") (f/k/a the Susquehanna Bank Center) and for overflow parking for students at Rutgers Camden. The Lease Agreement between EDA and Pavilion Partners for BB&T requires EDA to cooperate to ensure that sufficient parking spaces are available for use by the patrons of BB&T, to meet the minimum parking facility requirement. Construction of the additional parking spaces alleviated a portion of the parking shortages on the Waterfront. EDA has entered into its standard Site License Agreement with PACC to operate the parking lot for BB&T events and Rutgers overflow parking.

In May 2017, the City of Camden, DPMC and EDA entered into a Memorandum of Understanding (the "May 2017 MOU") regarding the construction, maintenance and operation of park and roadway improvements to be constructed on a portion of the Property (the "Work"). On July 31, 2017, the Work was substantially complete. Pursuant to the terms of the May 2017 MOU, the City of Camden is maintaining and operating the park and roadways.

Pursuant to the terms of the First Amendment to the June 28th MOU, the MOU expires on March 27, 2019 and the Parties wish to extend the collective term for an additional five (5) years.

1. **DPMC's Role and Responsibilities.** In addition to the Role and Responsibilities outlined in the June 28th MOU and First Amendment, DPMC will be responsible for performing the following tasks under this Second Amendment:
 - a. Allowing EDA to continue to manage the parking lot on the Property.
 - b. Allowing the City of Camden Parking Authority ("PACC") to continue to maintain and operate the lot in accordance with the terms of EDA's standard Site License Agreement.
 - c. Allowing the PACC and other third-party users to continue to utilize the parking lot for BB&T events, Camden Waterfront events, Rutgers overflow parking, and other parking needs, including construction workers or employees related to the development and construction along the Waterfront in accordance with the terms of EDA's standard Site License Agreement.
2. **EDA's Role and Responsibilities.** In addition to the Role and Responsibilities outlined in the June 28th MOU and First Amendment, EDA will be responsible for the following tasks under this Second Amendment:
 - a. **Site License Agreement.** EDA will continue to oversee the operation and maintenance of the Property by PACC, or another third-party(s) and will enter into Site License Agreement(s) for the operation and maintenance of the parking lot.
 - b. **Contractors and Consultants.** It is agreed that EDA will continue to retain and enter into agreements and contracts with consultants and contractors (including other State agencies) to assist EDA in connection with the Parking Lot Project. Any and all contracts with consultants or contractors entered into by EDA in connection with the Parking Lot Project shall be advertised, solicited and

selected by EDA in accordance with EDA procurement requirements. The general terms and conditions of such contracts shall be consistent with agreements typically entered into by EDA and shall provide for the termination by EDA, in consultation and with the consent of DPMC at any time, provided; however, indemnification and hold harmless provisions of contracts will run to the benefit of both DPMC and EDA.

3. **Compensation and Payment.** EDA will not receive a fee from DPMC or pay a fee to DPMC, but it will be allowed to collect all of the revenue, net of operating expenses, from PACC, or any other third-party user, as a return of its investment for the cost of the parking lot improvements.
4. **Additional Provisions.**
 - a. **Right of Entry and License.** This Second Amendment constitutes a license from DPMC to EDA, their employees, officers, agents, consultants and contractors for access to all portions of the Property in order to carry out the maintenance and operation of the Parking Lot Project and allows EDA to grant a Site License Agreement to PACC and other third parties.
 - b. **Other Approvals.** Each Party will obtain all applicable governmental approvals, permits, and authorizations necessary to effectuate their respective responsibilities under this Second Amendment.
 - c. **Commencement and Duration.** This Second Amendment will commence immediately upon execution by the Parties and shall terminate upon sale or transfer of the Property either to EDA pursuant to PL 2013, c.22 or a third party purchaser(s). Unless terminated earlier, this Second Amendment shall remain in effect for five (5) years until March 27, 2024, and may be amended by a writing executed by the Parties.
 - d. **Amendments.** This Second Amendment, the First Amendment and the June 28th MOU may be further amended in a writing executed by the Parties.
 - e. **Termination.** Any Party shall have the right to terminate this Second Amendment upon ninety (90) days written notice to the other party.
 - f. **Notices.** All notices required to be served or given hereunder shall be in writing and will be deemed given when received by personal delivery, by an overnight delivery service which issues a receipt from delivery, or three business days after having been mailed by certified mail, return receipt requested, and

addressed as follows:

If to EDA: New Jersey Economic Development Authority
36 West State Street
P.O. Box 990
Trenton, New Jersey 08625-0990
Attention: Donna T. Sullivan, Vice President
Real Estate Division

If to DMPC: Department of Treasury
Division of Property Management & Construction
33 W. State Street
Trenton, New Jersey 08625-0229
Attention: Christopher Chianese, Director
Division of Property Management & Construction

- g. Reasonable Diligence. Each of the Parties will act with reasonable diligence and in good faith for the purpose of satisfying the conditions set forth herein.
- h. Titles and Headings. Titles and headings are included for convenience only and shall not be used to interpret the Second Amendment.

The foregoing correctly reflects the Parties' understanding and intent.

IN WITNESS WHEREOF, the Parties have caused this Second Amendment to Memorandum of Understanding to be duly executed and delivered as of the date and year first above written and by so executing, represent and warrant they have the authority to do so.

ATTEST

STATE OF NEW JERSEY
DEPARTMENT OF THE TREASURY
DIVISION OF PROPERTY MANAGEMENT
& CONSTRUCTION

By: _____

ATTEST

NEW JERSEY ECONOMIC
DEVELOPMENT AUTHORITY

Donna T. Sullivan
Vice President, Real Estate

By: _____
Lori Matheus, SVP

The foregoing document has been reviewed and approved as to form.

Attorney General of New Jersey

By: _____
Gary A. Kotler, Deputy Attorney General

BOARD MEMORANDUM



MEMORANDUM

TO: Members of the Authority

FROM: Tim Sullivan, Chief Executive Officer

DATE: August 10, 2018

SUBJECT: Technology & Life Sciences - Delegated Authority Approvals for Q2 2018
For Informational Purposes, Only

Angel Investor Tax Credit Program

On January 31, 2013, the New Jersey Angel Investor Tax Credit Act was signed into law with Regulations approved by the Members of the Board in June 2013. The New Jersey Angel Investor Tax Credit Program (ATC) establishes credits against corporate business tax or New Jersey gross income tax in the amount of 10% of a qualified investment made into New Jersey emerging technology businesses.

Angel Investor Tax Credit Program Q2 2018 Review

In the second quarter of 2018 (Q2 2018), EDA approved 36 Angel Tax Credit applications for \$1,688,757.92 in tax credits. These credits support \$16,887,579 in private investments in 11 unique technology, clean technology, and life science companies. As compared to the second quarter of 2017, there was a normalization of approved application volume - with a 27% decrease in approved transactions in Q2 2018 - as Q2 2017 represented a 2.5x increase in approvals from Q2 2016. The average investment amount in Q2 2018 was \$469,009, representing a 27% increase from Q2 2017 to Q2 2018. When comparing individual sectors from Q2 2017 to Q2 2018, the investment total decreased in clean technology by 90%, increased in technology by 18% and increased in life sciences by 46%.

One investor reached the Angel Tax Credit transactional cap of \$5,000,000 in the second quarter of 2018, IRI Ventures US B.V., (see pg. 2 for more details).

Angel Tax Credit Q2 2018 Results

Sector	Investment Amount	Applications	# of Companies in Each Sector	% of total investments	% of total applications
Technology	\$3,577,627	5	5	21.18%	14%
Clean Technology	\$829,882	5	2	4.91%	14%
Life Sciences	\$12,480,070	26	4	73.90%	72%
Total	\$16,887,579	36	11		

Angel Tax Credit Program 2018, Year to Date

Sector	Investment Amount	Applications	# of Companies in Each Sector	% of total investments	% of total applications
Technology	\$24,513,189	23	11	61.58%	38%
Clean Technology	\$1,412,102	9	3	3.55%	15%
Life Sciences	\$12,880,070	28	6	32.36%	47%
Total	\$39,805,361	60	20		

The Q2 2018 approvals included investments in 3 companies that are new to the program, totaling \$2,710,000 in private investments.

- **AptaResearch LLC**, was founded in 2015 and focuses on pharmaceutical formulation as its primary business. The ATC applications were for investments in the Company's seed round of funding. The ATC applications approved this quarter represent investment from 4 angel investors, including the CEO. The company's fund raising, thus far, is primarily comprised of angels who are new to the ATC program. The funding is expected to support the financing of new machinery and equipment used in the research process as well as hiring additional researchers.
- **Boxcar, Inc.**, was founded in 2016 and has a technology for commuter and parking space matching as its primary business. The ATC applications were for investments in the seed round of funding representing an investment from one angel investor, who is new to the ATC Program. This investor is one of fifteen that have supported the customer and staff anticipates additional applications in Q3 2018. The funding round is expected to further support infrastructure with the recent revenue growth at the Company.
- **Urigen Pharmaceuticals Inc.**, was founded in 1997 and develops innovative products to treat urological ailments. The twelve ATC applications approved this quarter were for investments in the Series D round of funding representing investments from 12 different angel investors, including management and a trust. Urigen is a tenant at the Authority's Life Science Incubator in North Brunswick.

The Q2 2018 approvals also included one venture capital group that is new to the program, IRI Ventures US B.V. IRI Ventures serves as the venture capital unit of IKEA. It invests in seed, early and expansion stage companies with the aim of supporting innovative companies that are building a more sustainable, connected and affordable life at home. IRI Ventures US B.V.

ventures helped close Dream Holdings, Inc. (“AeroFarms”) \$40 million Series D Round with an investment of \$5 million, thereby reaching the \$500,000 Angel Tax Credit transactional cap per investment round for each investor.

Attached please find a detailed list of all ATC applications that were approved under delegated authority during the second quarter of 2018.

A handwritten signature in dark ink, appearing to be 'T. A.', written above a horizontal line.

Prepared by:
Brennan Candito

Investor	Technology Company	Location	Investment Amount	Tax Credit amount
Ishwar Chauhan	AptaResearch LLC	Pennsauken	\$400,000	\$40,000
Rakesh Lad	AptaResearch LLC	Pennsauken	\$400,000	\$40,000
Sivarama Nutalapati	AptaResearch LLC	Pennsauken	\$400,000	\$40,000
Prahlad Patel	AptaResearch LLC	Pennsauken	\$1,000,000	\$100,000
Total (4)	AptaResearch LLC	Pennsauken	\$2,200,000	\$220,000
Elizabeth Roseman Ledoux	Boxcar, Inc.	Cranford	\$50,000	\$5,000
Total (1)	Boxcar, Inc.	Cranford	\$50,000	\$5,000
Martin Tuchman Revocable Trust	CircleBlack, Inc	Princeton	\$1,500,000	\$150,000
Total (1)	CircleBlack, Inc	Princeton	\$1,500,000	\$150,000
IRI Ventures US B.V.	Dream Holdings, Inc.	Newark	\$5,000,000	\$500,000
Total (1)	Dream Holdings, Inc.	Newark	\$5,000,000	\$500,000
The John T. Raymond 2012 Delaware Trust	Eos Energy Storage LLC	Edison	18,117	1,811.70
Bruce Langone	Eos Energy Storage LLC	Edison	\$77,865	\$7,786.50
John Raymond	Eos Energy Storage LLC	Edison	\$344,219	\$34,421.90
Kenneth Langone	Eos Energy Storage LLC	Edison	\$152,181	\$15,218.10
Total (4)	Eos Energy Storage LLC	Edison	\$592,382	\$59,238
KELSAURYN PHARMA VENTURES LLC	Novitium Pharma LLC	East Windsor	\$1,120,000	\$112,000
Jeenarine Narine & Yearani Narine	Novitium Pharma LLC	East Windsor	1,250,000	\$125,000
Lillowtie A Narine Mathura	Novitium Pharma LLC	East Windsor	\$500,014	\$50,001.42
Sudha Potti Ram Potti	Novitium Pharma LLC	East Windsor	\$203,000	\$20,300
Neatram Joe Jairam	Novitium Pharma LLC	East Windsor	\$500,000	\$50,000

Sreekanth Madathil	Novitium Pharma LLC	East Windsor	\$47,042	\$4,704.20
Atul Guadani	Novitium Pharma LLC	East Windsor	\$350,000	\$35,000
JAI R NARINE	Novitium Pharma LLC	East Windsor	\$500,014	\$50,001.40
Sandip Patel	Novitium Pharma LLC	East Windsor	\$350,000	\$35,000
Total (9)	Novitium Pharma LLC		\$4,820,070	\$482,007
Jing Sun Burke	OpenDoor Securities LLC	Jersey City	\$1,999,998	\$199,999.80
Total (1)	OpenDoor Securities LLC	Jersey City	\$1,999,998	\$199,999.80
Lidow Family Trust	United Silicon Carbide, Inc	Monmouth Junction	\$12,629	\$1,262.90
Total (1)	United Silicon Carbide, Inc	Monmouth Junction	\$12,629	\$1,262.90
Christopher Meenan	Urigen Pharmaceuticals	North Brunswick	\$13,500	\$1,350
Carlo DiFonzo	Urigen Pharmaceuticals	North Brunswick	\$100,000	\$10,000
Cynthia Ann Martin	Urigen Pharmaceuticals	North Brunswick	\$27,000	\$2,700
Jeffrey Proctor	Urigen Pharmaceuticals	North Brunswick	\$15,000	\$1,500
Daniel Vickery	Urigen Pharmaceuticals	North Brunswick	\$100,000	\$10,000
Charles Lowell Parsons	Urigen Pharmaceuticals	North Brunswick	\$37,000	\$3,700
Howard C. Peterson 2000 Trust	Urigen Pharmaceuticals	North Brunswick	\$30,000	\$3,000
John Kellogg Parsons	Urigen Pharmaceuticals	North Brunswick	\$27,000	\$2,700
Mollie Leoni	Urigen Pharmaceuticals	North Brunswick	\$20,000	\$2,000
Pamela Marrs	Urigen Pharmaceuticals	North Brunswick	\$27,000	\$2,700
Thomas Stephen Cerasaro	Urigen Pharmaceuticals	North Brunswick	\$50,000	\$5,000
William J. Garner	Urigen Pharmaceuticals	North Brunswick	\$13,500	\$1,350

Total (12)	Urigen Pharmaceuticals	North Brunswick	\$460,000	\$46,000
Mark Son	Vydia Incorporated	Holmdel	\$15,000	\$1,500
Total (1)	Vydia Incorporated	Holmdel	\$15,000	\$1,500
Bruce Deichl	WorldWater & Solar Technologies, Inc.	Princeton	\$237,500	\$23,750
Total (1)	WorldWater & Solar Technologies, Inc.	Princeton	\$237,500	\$23,750
Q2 2018	36	11	\$16,887,579	\$1,688,757.92
Q1 2018	24	12	\$21,917,782	\$2,191,778.20



MEMORANDUM

TO: Members of the Authority
FROM: Tim Sullivan, Chief Executive Officer
DATE: August 10, 2018
SUBJECT: Projects Approved Under Delegated Authority –
For Informational Purposes Only

The following projects were approved under Delegated Authority in June and July 2018:

Premier Lender Program:

- 1) 765 Collingswood, LLC (P45034), located in Collingswood Borough, Camden County, is a recently formed entity created to purchase and own the project property. The operating company, Smarter Agent Mobile, LLC (“SAM”), is a software company that was spun out of related entity Smarter Agent, LLC in 2013. SAM develops mobile search and discovery applications that enable widespread content distribution to consumers. SAM offers a branded application for real estate listings distribution and marketing services for real estate companies including franchisors, brokers, agents and multiple listing service organizations. TD Bank, N.A. approved a \$675,000 bank loan contingent upon a 16.67% (\$112,500) Authority participation. Proceeds will be used to purchase the project property. Currently, the Company has 20 employees and plans to create five new positions over the next two years.
- 2) Crystalware Limited Liability Company (P45118), located in Lakewood Township, Ocean County, is a real estate holding company formed in 2016 to acquire the project property. The operating company, CW International Sales, LLC, imports and distributes disposable and janitorial products including gloves, napkins, paper cups, towels and straws primarily in the sanitary food and medical markets. TD Bank, N.A. approved a \$15,000,000 bank loan contingent upon a 13.33% (\$2,000,000) Authority participation. Proceeds will be used to purchase the project property. The Company currently has 27 employees and plans to create eight additional jobs within the next two years.

Stronger NJ Business Loan Program:

- 1) C.S. Stier II Consulting, Inc. (P43588), located in Sea Isle City, Cape May County, was established in 2002 as a commercial electrician services company. The Company was approved for a \$24,748 working capital loan to reimburse expenses the Company incurred in its 2014 fiscal year.

Prepared by: G. Robins



MEMORANDUM

TO: Members of the Authority
FROM: Tim Sullivan, Chief Executive Officer
DATE: August 10, 2018
SUBJECT: PUST and HDSRF Program Funding Status
(For Informational Purposes Only)

In December 2012, the members approved a change in the administration of the subject programs as a result of new Treasury guidance for fund transfers. Staff has reported to the board quarterly on the status of the funds.

Below is the funding availability as of the second quarter ending on June 30, 2018:

PUST:

As of June 30th, remaining cash and unfunded appropriations net of commitments was \$9.3 million available to support an estimated \$23.5 million pipeline of projects, of which approximately \$3.3 million are under review at EDA.

HDSRF:

As of June 30th, remaining cash and unfunded appropriations net of commitments was \$23.7 million available to support an estimated \$40 million pipeline of projects, of which approximately \$4 million are under review at EDA.

Prepared by: Kathy Junghans



NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

TO: Members of the Authority

FROM: Tim Sullivan
Chief Executive Officer

DATE: August 10, 2018

SUBJECT: Hazardous Discharge Site Remediation Fund - Delegated Authority
Second Quarter 2018 Approvals (For Informational Purposes Only)

Pursuant to delegations approved by the Board in May 2006, staff may approve new grants under the Hazardous Discharge Site Remediation Fund (HDSRF) up to \$100,000 and supplemental awards for existing grants (of any size) up to an aggregate of \$100,000, provided that the aggregate amount of the supplemental awards does not exceed \$100,000.

Attached is a summary of the Delegated Authority approvals ending June 30, 2018 for the second quarter. Five grants were approved totaling \$146,798.

A handwritten signature in blue ink, appearing to be 'TS', is written above a horizontal line.

Tim Sullivan

Prepared by: Wendy Wisniewski

PROJECT	APPLICANT	DESCRIPTION	GRANT AMOUNT	AWARDED TO DATE
P44874	Borough of Alpha (Leigh Fuel Corporation)	Initial grant for Preliminary Assessment	\$3,500	\$3,500
P44873	Borough of Closter (Closter Swim Club)	Initial grant for Preliminary Assessment and Remedial Investigation	\$66,800	\$66,800
P44927	Township of Monroe (Monroe Twp Sanitary Landfill)	Supplemental grant for Remedial Investigation	\$18,787	\$427,725
P44684	City of Paterson (22 26 McBride Ave.)	Initial grant for Preliminary Assessment and Site Investigation	\$40,681	\$40,681
P44876	St. Anthony's Roman Catholic Church (St. Anthony's School)	Initial grant for Remedial Action	\$17,030	\$17,030
5 Grants		Total Delegated Authority for HDSRF Applications	\$146,798	\$555,736

*Includes cumulative awards to date (initial & supplemental). Supplemental grant awards do not exceed \$100,000 the delegation permitted



NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

TO: Members of the Authority

FROM: Tim Sullivan
Chief Executive Officer

DATE: August 10, 2018

SUBJECT: Petroleum Underground Storage Tank Program - Delegated Authority Approvals
(For Informational Purposes Only)

Pursuant to the delegations approved by the Board in May 2006, staff may approve new grants under the Hazardous Discharge Site Remediation Fund (HDSRF) and Petroleum Underground Storage Tank Program (PUST) up to \$100,000 and may approve supplemental awards for existing grants (of any size) up to an aggregate of \$100,000, provided that the aggregate amount of the supplemental awards do not exceed \$100,000.

The Petroleum Underground Storage Tank Program legislation was amended to allow funding for the removal/closure and replacement of non-leaking residential underground storage tanks (UST's) and non-leaking non-residential UST's up to 2,000 gallons for eligible not for profit applicants. The limits allowed under the amended legislation is equivalent to the New Jersey Department of Environmental Protection cost guide.

Below is a summary of the Delegated Authority approvals processed by Finance & Development for the period April 01, 2018 to June 30, 2018

Summary:	# of Grants	\$ Amount
Leaking tank grants awarded	34	\$725,505
Non-leaking tank grants awarded	0	\$0

Applicant	Description	Grant Amount	Awarded to Date
88 Booraem Condo Association (P44492)	Initial grant for upgrade, closure and remediation	\$11,816	\$11,816
Bair, Nancy (P44512)	Initial grant for upgrade, closure and remediation	\$10,097	\$10,097
Bair, Richard (P44513)	Initial grant for upgrade, closure and remediation	\$10,414	\$10,414
Biancone, Rosa (P44832)	Supplemental grant for site remediation	\$3,804	\$16,219
Blatch-Cooper, Felicia (P44525)	Initial grant for upgrade, closure and remediation	\$9,106	\$9,106
Budhan, Ramesh P. (P44413)	Initial grant for upgrade, closure and remediation	\$17,529	\$17,529
Callahan, Elizabeth M. (P43189)	Initial grant for upgrade, closure and remediation	\$9,870	\$9,870
Campanile, Richard (P44423)	Initial grant for upgrade, closure and remediation	\$45,228	\$45,228
Carovillano, Jr., Dennis (P44458)	Partial initial grant for upgrade, closure and remediation	\$3,498	\$3,498
Casalnova, Al (P44397)	Initial grant for upgrade,	\$1,596	\$1,596

Applicant	Description	Grant Amount	Awarded to Date
	closure and remediation		
Chunka, Jeanette (P44519)	Initial grant for upgrade, closure and remediation	\$17,797	\$17,797
Contreras, Luis (P44472)	Initial grant for upgrade, closure and remediation	\$25,629	\$25,629
Coyle, Kevin (P44758)	Supplemental grant for site remediation	\$13,571	\$93,218
Gigante, Achille (P44440)	Partial initial grant for upgrade, closure and remediation	\$7,744	\$7,744
Hall, Leah (P44493)	Initial grant for upgrade, closure and remediation	\$9,596	\$9,596
Harvard, George (P44432)	Initial grant for upgrade, closure and remediation	\$3,313	\$3,313
Joseph, Mona (P44460)	Initial grant for upgrade, closure and remediation	\$8,573	\$8,573
Koep, Gregory (P44389)	Initial grant for upgrade, closure and remediation	\$6,509	\$6,509
Lawrow, Michael (P44491)	Initial grant for upgrade, closure and remediation	\$82,657	\$82,657
Lopez, Alexander (P44475)	Initial grant for upgrade, closure and remediation	\$14,081	\$14,081
Lorenzo, Hector and Evelyn Rosado (P43080)	Initial grant for upgrade, closure and remediation	\$10,770	\$10,770
Marinelli, Nick and Audrey (P44894)	Supplemental grant for site remediation	\$16,338	\$114,160*
McSalis, William (P44520)	Initial grant for upgrade, closure and remediation	\$91,836	\$91,836
Nowicki, Susan (P44524)	Initial grant for upgrade, closure and remediation	\$3,908	\$3,908
Potter, Betty (P44495)	Initial grant for upgrade, closure and remediation	\$11,312	\$11,312
Radecki, Joanna (P44477)	Initial grant for upgrade, closure and remediation	\$12,584	\$12,584
Rae, Kathleen (P44521)	Initial grant for upgrade, closure and remediation	\$6,950	\$6,950
Rankin, Dean (P44868)	Supplemental grant for site remediation	\$73,820	\$136,804*
Senno, Hassana (P44967)	Supplemental grant for site remediation	\$25,822	\$35,458
Serrano, Juan (P44526)	Initial grant for upgrade, closure and remediation	\$40,250	\$40,250
Simsek, Berat (P44494)	Initial grant for upgrade, closure and remediation	\$25,252	\$25,252
Sussex County Habitat for	Initial grant for upgrade,	\$33,887	\$33,887

Applicant	Description	Grant Amount	Awarded to Date
Humanity (P44362)	closure and remediation		
Vanden Heuvel, Susan (P44358)	Initial grant for upgrade, closure and remediation	\$47,353	\$47,353
Vanderleur, Leslie (P45007)	Supplemental grant for site remediation	\$12,995	\$57,587

34 Grants

Total Delegated Authority funding for Leaking applications.

\$725,505

*This amount includes grants approved previously by the Board and this award does not exceed the \$100,000 aggregate supplemental limit for staff delegation.



Tim Sullivan

Prepared by: Wendy Wisniewski, Finance Officer



MEMORANDUM

TO: Members of the Authority

FROM: Tim Sullivan, Chief Executive Officer

DATE: August 10, 2018

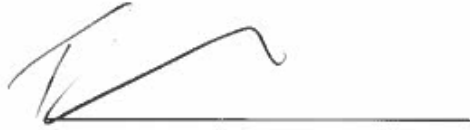
SUBJECT: Post Closing Credit Delegated Authority Approvals for 2nd Quarter 2018
For Informational Purposes Only

The following post-closing actions were approved under delegated authority during the second quarter of 2018:

Name	EDA Credit Exposure	Action
Community Loan Fund of New Jersey, Inc.	\$ 1,000,000	Extend disbursement commitment period and fund the final disbursement for this direct loan to lender.
Gran Prix Partners, LP (Fairfield Inn and Suites by Marriott)	\$ 803,710	Extend the loan balloon maturity for six months to finalize refinancing of senior debt with a new lender.
One Stewart Court, LLC (Audio Visual Associates, Inc.)	\$ 326,702	Extend premier lender participation loan maturity 15 years with rate resets and call options at each five-year anniversary.
Hampton-Clarke, Inc.	\$ 38,956	Extend the direct loan balloon maturity for two years to allow time to repay this equipment loan.

Conduit Bonds (EDA has no credit exposure)	
Benedictine Abbey of Newark (School)	Consent to the Bondholder's waiver of the provisions that would have increased the \$28,635,000 Tax Exempt Stand-Alone bond interest rate following the Tax Cuts and Jobs Act of 2017.
Tidewater North, LLC (NY Popular)	Consent to Bondholder's waiver of the provisions that would have increased the \$5,343,750 Tax Exempt Stand-Alone bond interest rate following the Tax Cuts and Jobs Act of 2017.
Bet Yaakov of the Jersey Shore, Inc. (B' not Yisrael School)	Consent to change on the interest rate to a fixed rate of 3.55% on the \$2,900,000 Tax

The Order of St. Benedict of New Jersey (St. Mary's Abbey School and Delbarton School)	Exempt Stand-Alone bond. Consent to amend covenants for this \$29,000,000 Tax-Exempt Stand-Alone bond.
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A handwritten signature in black ink, consisting of a stylized, cursive 'M' followed by a horizontal line extending to the right.

Prepared by: Mansi Naik



MEMORANDUM

TO: Members of the Authority

FROM: Tim Sullivan
Chief Executive Officer

DATE: August 10, 2018

SUBJECT: Incentives Modifications – 2nd Quarter 2018
(For Informational Purposes Only)

Since 2001, and most recently in June 2014, the Members have approved delegations to staff for post-closing incentive modifications that are administrative and do not materially change the original approvals of these grants.

Attached is a list of the incentive modifications and Salem/UEZ renewal extensions that were approved in the 2nd quarter ending June 30, 2018.

A handwritten signature in blue ink, appearing to be 'RS', is written above a horizontal line.

Prepared by: M. Maurio

**ACTIONS APPROVED UNDER DELEGATED AUTHORITY
SECOND QUARTER ENDING JUNE 29, 2018**

BUSINESS EMPLOYMENT INCENTIVE GRANT PROGRAM

Applicant	Modification Action	Approved Award
Advanced Drainage Systems, Inc.	Consent to a reduction in the award percentage from 55% to 50%.	\$ 198,000
Cardinal Health 110, Inc.	Consent to a change in the corporate designation of Cardinal Health 110, Inc. to Cardinal Health 110, LLC.	\$ 320,250
Conoco Phillips Company/Conoco Phillips Services, Inc.	Consent to the spin-off of Conoco Phillips Company/Conoco Phillips Services, Inc. and subsequent name change to Phillips 66 Company.	\$ 417,600
Corporate Synergies Group, LLC	Consent to shortening the term and terminating the BEIP to allow the company to sign a Grow NJ agreement. The approximate forfeiture amount of accrued/unpaid BEIP tax credits was \$922,000.	\$ 3,984,640
Maquet Cardiovascular LLC and Maquet Cardiovascular US Sales, LLC	Consent to administrative changes to remove Maquet Cardiovascular US Sales, LLC and add Getinge USA Sales, LLC to the agreement.	\$ 3,901,625
NB Ventures, Inc., d/b/a Global eProcure	Consent to shortening the term and terminating the BEIP agreement to allow the company to sign a Grow NJ Agreement. The approximate forfeiture amount of accrued/unpaid BEIP tax credits was \$209,000.	\$ 195,628
Telargo, Inc.	Consent to the acquisition of Telargo Inc. by Descartes Systems (USA) LLC and several internal mergers resulting in name changes along with a change of project location from Jersey City to Midland Park which resulted in a reduction in the award percentage from 80% to 50%.	\$ 335,146
Watson Pharmaceuticals, Inc., and Affiliates	Consent to multiple ownership and name changes which were required to facilitate the termination of the BEIP agreement to allow the surviving entity [Allergan Sales, LLC] to execute a Grow NJ agreement. The approximate forfeiture amount of accrued/unpaid BEIP tax credits was \$6,926,000.	\$ 3,038,000

GROW NEW JERSEY ASSISTANCE PROGRAM

Applicant	Modification Action	Approved Amount
Adare Pharmaceuticals, Inc.	Consent to a first six-month extension of the certification deadline from June 9, 2018 to December 9, 2018.	\$ 1,900,000
Just Greens, LLC dba Aerofarms	Consent to add an affiliate and a PEO to the Grow NJ Agreement.	\$ 6,555,000
Jackson Hewitt Inc. & Subsidiaries	Consent to a first six-month extension of the certification deadline from May 15, 2018 to November 15, 2018.	\$ 2,673,750
MSKCC Properties, LLC	Consent to add an affiliate to the Grow Agreement.	\$ 7,910,000
Sharp Electronics Corporation	Consent to a 21% reduction in the size of the QBF from 105,288 sf to 83,377 sf.	\$ 6,920,000
South Jersey Gas Company	Consent to a first six-month extension of the certification deadline from August 11, 2018 to February 11, 2019.	\$12,655,260

SALEM/UEZ ENERGY SALES TAX EXEMPTION RENEWALS

Applicant	Extend to Date	Location	#/% Employees	Benefit
B&B Poultry Co., Inc.	August 31, 2019	Norma, NJ	160/88%	\$ 45,180
Durand Glass Manufacturing Co., LLC	May 26, 2019	Millville, NJ	925/95%	\$ 950,000
Nipro Pharma Packaging Americas Corp.	January 15, 2019	Millville, NJ	282/74%	\$ 462,163



NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

MEMORANDUM

TO: Members of the Authority

FROM: Tim Sullivan
Chief Executive Officer

DATE: August 10, 2018

SUBJECT: Real Estate Division Delegated Authority for Leases and Right of Entry (ROE)/ Licenses for Second Quarter 2018- *For Informational Purposes Only*

The following approvals were made pursuant to Delegated Authority for Leases and ROE/ Licenses in April, May and June 2018:

LEASES / CCIT GRANTS

<u>TENANT</u>	<u>LOCATION</u>	<u>TYPE</u>	<u>TERM</u>	<u>S.F.</u>	<u>CCIT GRANT</u>
Hudson BioPharma	CCIT	Lease Holdover	Month to Month	2,000 sf	N/A
PDS Biotechnology	CCIT	Lease Holdover	Month to Month	1,975 sf	N/A
Kamat Pharmatech	CCIT	Lease Holdover	Month to Month	2,000 sf	N/A
Novanex	CCIT	Lease Holdover	Month to Month	800 sf	N/A
Bellerophon Therapeutics	CCIT	Lease Holdover	Month to Month	1600 sf	N/A
Ascendia Pharmaceuticals, LLC	Technology Centre	Second Amendment to Lease Use of Temporary Storage Unit & Increase SF to add 548	July 1, 2018 through July 31, 2019	13,437 sf	N/A
Bionex Pharmaceuticals LLC	BDC	New Lease	Three Years as of 6/1/18	1,998 sf	N/A
Aucta Pharmaceuticals	CCIT	Lease Holdover	Month to Month	3,250 sf	N/A
Genomic Prediction	CCIT	Lease Extension	One Year	2,994 sf	N/A

RIGHT OF ENTRY/LICENSES/EXTENSIONS

<u>ENTITY</u>	<u>LOCATION</u>	<u>TYPE</u>	<u>CONSIDERATION</u>
North Brunswick Baseball Association d/b/a Youth Sports Festival	Tech Expansion	ROE use for fundraising carnival 6/14/18-6/24/18	-0-
Middlesex County Fair	Tech Expansion	ROE use for parking of advertising trailer 8/2/18-8/12/18	-0-
Verizon	Tech Centre	License Access Agreement and Hold Harmless Agreement to allow installation of FiOs facilities at CCIT and Tech Centre	-0-
Cooper's Ferry Partnership, Inc.	Newly Constructed EDA Parking Lot-	ROE for use for Camden Partners Steel Topping Ceremony 6/11/18-6/12/18	-0-

MISCELLANEOUS

<u>ENTITY</u>	<u>LOCATION</u>	<u>TYPE</u>	<u>CONSIDERATION</u>
Public Service Electric & Gas	Tech Centre	Grant of Easement Agreement for Installation of Poles and Wires to update the PSEG MTB line.	\$7350.00



 Tim Sullivan
 Chief Executive Officer