

## The New Jersey Economic Recovery Act of 2020: An Overview of the New Jersey Community-Anchored Development Program

The New Jersey Economic Recovery Act of 2020, a seven-year, \$14 billion package of incentive programs intended to encourage New Jersey job growth, property development and redevelopment, community partnerships, and numerous other economic development initiatives, was signed into law by Governor Phil Murphy on January 7, 2021.

This Client Alert focuses on the New Jersey Community-Anchored Development Program, which was enacted under the new legislation to provide tax credits to "anchor institutions" to encourage the expansion of targeted industries in certain areas of New Jersey.

### **Incentivizing Anchor Institutions**

The New Jersey Community-Anchored Development Program aims to incentivize anchor institutions in the areas of education, healthcare, culture, community development, and economic development to act as investors in large-scale development projects within New Jersey. Under the program, an anchor institution will utilize proceeds from the sale of state tax credits, and the New Jersey Economic Development Authority (EDA) will receive a negotiated current or deferred economic return on the tax credit investment made by the anchor institution and, ultimately, the return of the amount initially received.

Anchor institutions will be eligible for tax credits of up to \$200 million annually to aid and promote targeted development, with \$130 million allocated to northern NJ counties and \$70 million to southern NJ counties. The total tax credit allowed per project cannot exceed \$75 million, and the total investment of all state resources in a project (not including rent payments) cannot exceed 40% of the total cost of the project.

The goal of the program is to overcome cost-of-occupancy differences between New Jersey and other less expensive jurisdictions, and to encourage anchor institutions to expand beyond their host communities and invest in areas that lack anchor institutions. Additionally, the legislation hopes to further New Jersey's objectives to attract high-value employers and provide economic stimulus, as well as permit other beneficial uses such as housing, public amenities, parking, mixed-uses, and facilities of an anchor institution itself.

### **Application Criteria**

To take advantage of the Community-Anchored Development Program, anchor institutions must complete and submit to the EDA a competitive program application that would result in the completion of a community-anchored project either in a New Jersey opportunity zone or, if the project is primarily designed to result in the economic expansion of a targeted industry, in an area designated as a Planning Area I, or in a municipality with a Municipal Revitalization Index distress score of at least 50.

When making its application, the anchor institution must demonstrate the following:

The project must result in a capital investment of at least \$10 million. The anchor institution receiving tax credits must then use the proceeds derived from the sale or financing of the tax credits to make an equity investment in, or provide a loan or other financial support for, the community-anchored project.

The tax credits will be issued and utilized according to an agreement which includes standards relating to the anticipated economic results of the anchor institution's project as well as consequences for failing to meet the requirements of the agreement. The tax credit agreement will detail the terms by which the anchor institution will convert the tax credits into an investment.

The tax credits may be sold or transferred by the anchor institution or, alternatively, the credits may be used to finance the completion of the project. The sale proceeds must then be used to make an equity investment in or to provide a loan or other financial support for a community-anchored project. This is particularly important given many anchor institutions are nonprofit corporations that would be otherwise unable to utilize such credits.

### Scoring System for Approval

The EDA's approval process will review and rank applications on the basis of a scoring system based on criteria which includes but is not limited to:

The EDA will continue to evaluate the program to ensure that it will, at least, recapture the value of the tax credits awarded to all anchor institutions and will realize additional returns on investment under the program.

Comprehensive regulations are expected to be promulgated by the EDA in furtherance of the New Jersey Community-Anchored Development Program. We will keep you updated on these rules and other developments related to the New Jersey Economic Recovery Act of 2020.

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[The New Jersey Economic Recovery Act of 2020: An Overview of the New Jersey Innovation Evergreen Act](#)  
March 1, 2021

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[The New Jersey Economic Recovery Act of 2020: An Overview of the New Jersey Aspire Program](#)  
February 25, 2021

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February 23, 2021

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