

P U B L I C H E A R I N G

before the

ASSEMBLY TAXATION COMMITTEE

on

ASSEMBLY CONCURRENT RESOLUTION NO. 153

(Allows municipalities to give tax abatements in certain instances)

Held:

Assembly Chamber
State House
Trenton, New Jersey
April 21, 1975

COMMITTEE MEMBERS PRESENT:

Assemblyman Steven P. Perskie, Chairman

Assemblyman John A. Sweeney

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ASSEMBLY CONCURRENT RESOLUTION No. 153

STATE OF NEW JERSEY

INTRODUCED MAY 13, 1974

By Assemblyman PERSKIE

Referred to Committee on Taxation

A CONCURRENT RESOLUTION proposing to amend Article VIII, Section I, paragraph 1 of the Constitution of the State of New Jersey.

1 BE IT RESOLVED *by the General Assembly of the State of New*
2 *Jersey (the Senate concurring):*

1 1. The following proposed amendment to the Constitution of the
2 State of New Jersey is hereby agreed to:

PROPOSED AMENDMENT

3 Amend Article VIII, Section 1, paragraph 1 as follows:

4 1. (a) Property shall be assessed for taxation under general
5 laws and by uniform rules. All real property assessed and taxed
6 locally or by the State for allotment and payment to taxing districts
7 shall be assessed according to the same standard of value, ***[except**
8 **as]*** **[otherwise]** ***[specifically permitted herein,]*** **[and such real**
9 **property shall be taxed at the general tax rate of the taxing dis-**
10 **trict in which the property is situated, for the use of such taxing**
11 **district]** ***[or by such general classifications for assessment or rate**
12 **purposes as may be enacted by the Legislature,]*** ***and such real**
13 **property shall be taxed at the general tax rate of the taxing district**
14 **in which the property is situated, for the use of such taxing district,**
14A **except as specifically permitted herein* and the Legislature may**
14B **enact laws enabling taxing districts to provide partial or total**
14C **abatement of taxes upon specified categories of property *for a**
14D **period not to exceed 5 years*.**

15 (b) The Legislature shall enact laws to provide that the value
16 of land, not less than 5 acres in area, which is determined by the
17 assessing officer of the taxing jurisdiction to be actively devoted
17A to agricultural or horticultural use and to have been so devoted for
18 at least the 2 successive years immediately preceding the tax year
19 in issue, shall, for local tax purposes, on application of the owner,

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill
is not enacted and is intended to be omitted in the law.

20 be that value which such land has for agricultural or horticultural
21 use.

22 Any such laws shall provide that when land which has been
23 valued in this manner for local tax purposes is applied to a use
24 other than for agriculture or horticulture it shall be subject to
25 additional taxes in an amount equal to the difference, if any,
26 between the taxes paid or payable on the basis of the valuation and
27 the assessment authorized hereunder and the taxes that would have
28 been paid or payable had the land been valued and assessed as
29 otherwise provided in this Constitution, in the current year and in
30 such of the tax years immediately preceding, not in excess of 2 such
31 years in which the land was valued as herein authorized.

32 Such laws shall also provide for the equalization of assessments
33 of land valued in accordance with the provisions hereof and for the
34 assessment and collection of any additional taxes levied thereupon
35 and shall include such other provisions as shall be necessary to
36 carry out the provisions of this amendment.

1 2 When this proposed amendment to the Constitution is finally
2 agreed to, pursuant to Article IX, paragraph 1 of the Constitution,
3 it shall be submitted to the people at the next general election
4 occurring more than 3 months after such final agreement and shall
5 be published at least once in at least one newspaper of each county
6 designated by the President of the Senate and the Speaker of the
7 General Assembly and the Secretary of State, not less than
8 3 months prior to said general election.

1 3. This proposed amendment to the Constitution shall be sub-
2 mitted to the people at said election in the following manner and
3 form:

3A There shall be printed on each official ballot to be used at such
4 general election, the following:

5 1. In every municipality in which voting machines are not used,
6 a legend which shall immediately precede the question, as follows:

7 If you favor the proposition printed below make a cross (X),
8 plus (+) or check (V) in the square opposite the word "Yes."

9 If you are opposed thereto make a cross (X), plus (+) or
10 check (V) in the square opposite the word "No."

11 2. In every municipality the following question:

	Yes.	Shall the amendment agreed to by the Legislature, to amend paragraph 1 of Section I of Article VIII of the New Jersey Constitution to provide that the Legislature may enact laws *[classifying property as to type for property tax purposes, and may] * <i>to</i> permit municipalities to provide tax abatement <i>for up to 5 years</i> be adopted?
	No.	

S T E V E N P. P E R S K I E, Chairman: This is the public hearing as scheduled for Assembly Concurrent Resolution 153, as amended by the Assembly Taxation Committee. I have copies of the Resolution as amended here before me for the benefit of anyone who may wish to examine it. It proposes to add to the existing language of Paragraph 1 of Section 1 of Article VIII of the New Jersey Constitution the following language: "The Legislature may enact laws *[classifying property as to type for property tax purposes, and may]* *to* permit municipalities to provide tax abatement *for up to five years*. "

It is the intent of the sponsor of the legislation as well as the Taxation Committee that the amendment be broad in its scope to allow maximum flexibility in terms of enabling legislation by the Legislature.

We have several individuals here today who have indicated a desire to make a statement for the record. We also have been advised that there are going to be a number of prepared statements submitted. We will ask that the record be held open at least in the course of the day today, and any other statements which may be submitted should also be made part of the record and available to the members of the Legislature.

Our first witness is the Director of the Atlantic County Board of Freeholders Murray Raphel.

M U R R A Y R A P H E L: Thank you, Assemblyman Perskie. My name is Murray Raphel, Director of the Atlantic County Board of Freeholders.

I come to you today in that capacity to strongly urge your support and prompt passage of Assemblyman Perskie's Concurrent Resolution Number 153, commonly referred to as the "Tax Abatement Bill."

Your reporting this bill favorably on the floor of the Assembly can mean its appearance on the ballot this coming November for the citizens of New Jersey to vote in favor of a constitutional amendment permitting taxing districts to offer tax incentives to encourage new businesses in their communities.

But no matter what title we give to this bill, what we are talking about is jobs. We are talking about employment. We are talking about goods and services available to the citizens of a community because a new business makes up its mind to locate in a particular area and a most compelling reason was a temporary reduction in their taxes.

Why is this bill so drastically needed in Atlantic County? Let me cite several facts:

- . Construction starts have dropped drastically in Atlantic County. Which means less jobs.

- . Less than two dozen new manufacturing firms set up shop in Atlantic County in the last 15 years. With the natural attrition of older firms, the total number remains about 200--showing little or no growth in nearly a generation.

Atlantic County is particularly well suited for machinery making industries such as machine tools, textile machinery, printing machinery. Each has rapid growth, good size, the need for large plants and labor. Atlantic County can supply all this.

But a major problem is the high property tax.

Hotel rooms are disappearing in Atlantic City. More than 5,000 have gone in just the past ten years. This translates into a loss of more than 2,000 jobs.

In 1966, Atlantic City had \$17 million in sales in hotel and motel rooms.

In 1974, Atlantic City had just over \$11 million in sales in hotel and motel rooms - a near \$6 million drop.

More than half a million conventioners came to Atlantic City in 1968. But only 390,000 came last year.

A study by the nationally known firm of Economic Research Associates completed last year projected an increase of one million more tourists to Atlantic City in the next ten years and an increase of convention delegates to 641,000 by 1985.

But it cannot happen without more hotel rooms. Which means more jobs.

Some individuals have shown an interest in building new hotels in Atlantic City.

But a major problem is the high property tax.

Atlantic County feels this Tax Abatement Program offers developers and contractors time to deal with high costs and high mortgage rates without the burden of high local property taxes. When the buildings are up and money coming in, payment of property taxes can be easily handled.

. Most of the newer firms are small. Virtually no large firms have shown an interest in Atlantic County despite our great wealth of natural physical environment, vast reaches of waterways, woodlands, beaches and an abundant labor force.

. Atlantic County's economy grows at a reduced rate. A recently Federally approved Economic Development Study of the County said, "The County's job growth rate is in doubt. . ."

. More than twice as many Atlantic County residents commute to work outside Atlantic County in 1970 as in 1958.

. Nearly 10% of the families in Atlantic County are below the poverty level. In Atlantic City nearly 16% of the families are below the poverty level.

. Atlantic City has a near record 12% unemployment rate - a peak not achieved since the depression year of 1953.

. Nearly one-third of all the families receive some sort of public aid.

There is a very simple way to turn around all the above figures. That way is more jobs.

That is why Atlantic County established and funded their own Economic Development Commission - to attract new businesses which means new jobs - to Atlantic County.

This Commission with its small but energetic three man team works diligently to bring in new industry. We offer not only expert help in planning but also cooperative elected officials in both the County and the municipalities plus an excellent training program through our use of Comprehensive Employment Training Act funds. This means a manufacturer desiring employees can apply to our CETA program and we will train the number of people he wants for the types of jobs he wants filled.

Of primary importance, and I cannot state this too often, is that the statement period allows for more jobs created now.

In the long run, both the County's tax situation and the County's economic situation will both benefit. More construction starts means more rateables means more jobs means less unemployment, less property taxes and a healthy Atlantic County.

Some critics may state that present businesses may object to a new or competitive business receiving these tax advantages. This has not been the case in my experience. Most firms see new businesses as a way of sharing their tax load even on a delayed basis. Before appearing here today I received the verbal endorsement of this bill from the presidents or agents from many of our area organizations including the Hotel Motel Association, the Retail Merchants Association, the Improvement Association, the Gentlemen

of Sports, the Greater Atlantic City Chamber of Commerce, the Restaurant Association - a list easily added to and enlarged by simply calling any community-minded organization in Atlantic County.

It is at times like these, when the people turn to the government for help, that the government has a responsibility and obligation to offer this help.

On July 1, 1854, it was best explained by Abraham Lincoln who said, "The legitimate object of government is to do for the people what needs to be done, but which they cannot, by individual effort, do at all or do so well for themselves."

Gentlemen, the citizens of Atlantic County urge your strong recommendation and support of Assembly Concurrent Resolution No. 155.

Thank you.

ASSEMBLYMAN PERSKIE: I want to ask you a couple questions. The Committee amended the Resolution to add as the only constitutional limitation that the abatement period extend for a period not to exceed five years. Is it your feeling that that would be sufficient to enable the city of Atlantic City, or any city, to attract the kind of development that you indicate?

MR. RAPHEL: Yes.

ASSEMBLYMAN PERSKIE: Do you have any questions, Mr. Sweeney.

ASSEMBLYMAN SWEENEY: No.

ASSEMBLYMAN PERSKIE: Thank you very much. We will include your statement in the record, and I will see to it that it is distributed.

We have the Mayor of Atlantic City, the Honorable Joseph Bradway, Jr., who is not here today with Miss America.

J O S E P H F. B R A D W A Y, JR.: Unhappily. If I may, let me start off by saying that I felt very strongly as a Mayor of an urban area that the only way we can intelligently stop the out-migration of industry, commercial and retail business, and indeed the shopper is by creating an atmosphere in which people would decide to rebuild in our urban areas.

I think we are all aware that the urban areas, not only in the State of New Jersey, but indeed throughout the country, are finding it increasingly difficult to maintain municipal enterprise within their boundaries. Needless to say, the ideal position to be in would be a position to attract new building, be it industrial, commercial or residential, and at the same time maintain that which you presently have, but oftentimes today we look to move to the suburbs. One reason for that is reduced taxes, increased land available for expansion, and various other factors.

There are several reasons why cities can no longer be maintained. I think the reasons are known to all of us. Maybe some of them bear repeating. It is my feeling that this bill can in fact solve some of the problems why people are moving out of the cities, and most particularly industrial, commercial and retailers, high real estate taxes, high crime, limited land for expansion, and the shifting consumer market to the suburban retail shopping areas.

Downtown shopping areas throughout the State and indeed throughout the country are falling pray to a mass exodus and the shifting consumer marketing demands. How does one stop this out-migration of retail and commercial establishments?

The question in front of the Legislature basically is just that. I don't think Atlantic City is alone in its problems insofar as keeping and attracting and maintaining its industrial or retail business. I think other cities throughout the State have the same basic problem.

I submit that a tax abatement plan would give the urban areas at least a selling point to maintain business that is desirous of expanding or looking to relocate. I'm not suggesting that the State reimburse municipalities that choose to attract and maintain commercial interests, although this would be desirable. I am suggesting that the decision of tax abatement rest with the municipal officials and that they choose, if you will, what firms and under what terms and conditions and specifics they would now offer a tax abatement plan to.

I understand the generalities would have to be determined by the Legislature. In that regard, I ask that the generalities specifically exclude suburban areas and that the urban areas be the areas that are permitted to give tax abatement for industry expansion, retail stores and commercial buildings of any sort.

I further suggest that the formula for tax abatement apply to new construction, and also what I would refer to as substantial rehabilitation. Substantial rehabilitation in my terms would be either twenty-five percent in addition to the present physical layout in square footage of building and/or an expenditure of twenty-five percent or more of the current assessed value and that that be considered as substantial rehabilitation.

I further suggest that a tax abatement plan of either five or six years be looked at; in that, on a six-year basis, the first year for any new building and/or substantial rehabilitation that the taxes are zero what it would normally be; the second year, twenty-percent of what the tax would be; third year, forty percent; fourth year, sixty percent, eighty percent and finally a hundred percent at the end of six years to fall within the bill we are talking about within a five-year plan that could easily be modified to twenty percent of what the

tax would be the first year, forty, sixty, eighty, and then a hundred. When I'm talking about substantial rehabilitation, I feel that the new portion so added, and/or the renovation, that that portion would come under the tax abatement plan, but not necessarily the entire building.

I feel that its very important that the cities be given an opportunity and be given a vehicle in which to regenerate their own rebirth, if you will, regenerate industrial attraction and commercial attraction into the urban areas.

As we all know, the urban areas are suffering from tremendous unemployment. Urban areas in the main in the State of New Jersey are suffering from an eroding tax base. My belief is that a tax abatement plan would in fact help stop and arrest the eroding tax base, the out-migration of people and the increased unemployment.

I think that this bill, and this type of a bill, is long overdue. I think, again, that the urban areas throughout the State of New Jersey would welcome this type of a bill. I feel that the State should very seriously consider the twenty-three urban aid cities, and/or some other designation such as an economically depressed area as only those areas that could in fact afford this tax abatement plan. I feel also that the specifics should be left to the municipalities.

For example, a municipality recognizing that they would have to forego present taxes now and portions of taxes over a five-year period may want to now attach some type of employment tax to it, and say to any industry that employs more than twenty people, "We will do this. We will afford them the tax abatement."

If in fact they employ less than twenty people, they may choose not to, too, recognizing that the full burden or loss of taxes or lack of generation of taxes would then become their burden, and they would not intelligently look to

the State for their reimbursement for these taxes so voluntarily given up by them. Are there any questions at all on this?

ASSEMBLYMAN PERSKIE: I just want to state for the record that it is at least my understanding that the consitutional language about having the abatement would emit of the first schedule, because in actuality there is no abatement. It is one hundred percent. So you would only have the abatement covering the five years, which is what we had in mind.

Let me ask you a couple of things. First of all, for the record, you have in Atlantic City a sizeable tract of land that is vacant, and has been for a long period of time, and has not be developed; is that right?

MR. BRADWAY: Yes.

ASSEMBLYMAN PERSKIE: Do you have reason to believe that if such a program as this had been in existence in the last ten years that there would have been increased prospects for developing it?

MR. BRADWAY: Absolutely. I think that -- again, the reason that I'm zeroing in on urban areas is most urban areas in fact have a large urban renewal tract, and in many instances the development of this urban renewal tract has not been successfully done or completed within a short period of time, and clearly a tax abatement plan would not help your gross renewal acres, but certainly I think it would help other cities insofar as attraction of development within the urban renewal area.

ASSEMBLYMAN PERSKIE: All right. The second question is, assuming the passage of the referendum, and assuming the passage of enabling legislation, would your suggestion be that the municipalities such as Atlantic City have some blanket ordinance, guidelines for the city, or a separate ordinance for each individual proposal?

MR. BRADWAY: I would personally like to see the Legislature set down the broad-based guidelines, for example, the twenty-three urban aid cities would be the only cities that would be permitted to offer this tax abatement plan. Secondarily, the tax abatement plan could not exceed five years, if you will, of tax abatement.

I think that the rest of it, basically, has to be left to the municipalities, insofar as specifics ---

ASSEMBLYMAN PERSKIE: All right, I agree with you on that. What I am asking is, suppose we did that, and suppose we left it up to the municipalities and specified which municipalities were eligible. Do you think it would be better to say, "Okay, Atlantic City can pass one ordinance setting forth its policy on abatement," or would you rather think that each time there would be a proposal for abatement that that in itself would be the subject of a separate ordinance?

MR. BRADWAY: No, I would pass one ordinance that would set the basic guidelines, and then have the Planning Board or some other division of the city, if you will, then specifically pass on those that would choose and make the application for a tax abatement.

ASSEMBLYMAN SWEENEY: The only question I would have, Mayor, and I understand your reason for saying that urban areas should be the only ones to be permitted the privilege of employing the program of tax abatement, but what about the other areas which are not necessarily in the same category as Atlantic City, and Elizabeth, Jersey City, the Newarks?

MR. BRADWAY: Well, you see, part of what I am trying to propose and prevent against, if you will, is -- when the V. A. home loans came out, I think the original intent was to rebuild the inner cities, and in fact, by not placing

that limitation in the main, the suburbs grew up and they have more to offer industry, and more to offer commercial enterprise and retail enterprise, just by one, having more land, and, secondarily, their tax base is generally less, if you will, in the main - I'm speaking of generalities - less than that of the inner core cities. Their unemployment rate is not the same as the cities and the urban areas.

My comment about the twenty-three urban aid cities is just a starting point. I do, however, feel that the cities are in more desperate states than the suburbs and the outlying areas, and that if this bill passes, clearly the city should have a four or five-year headstart to try to stop the out-migration of business and the out-migration of people, so as to revitalize our inner core, as Assemblyman Perskie indicated, if for no other reason than urban renewal development.

many suburban areas have significant urban renewal developments that in fact have taken monies off the tax rolls and have just been very, very slow in moving forward, especially in your inner cities? That's my concern. I don't mean to make it that specific to exclude suburban areas, but I think that the need is greater in the urban areas than it is in the suburbs, at least at this time.

ASSEMBLYMAN PERSKIE: Thank you, Mayor. We appreciate your time.

We have a brief statement from a representative from the State Chamber of Commerce.

L E W I S R. A P P L E G A T E: Thank you, Mr. Perskie. My name is Lewis R. Applegate. I am representing today the State Chamber of Commerce, but I am also Secretary to the Chemical Industry Council of New Jersey, which is the state's largest industry, and also Secretary of the Society for Environmental and Economic Development, which is a coalition of Labor and Industry. In all three of these capacities, I am

authorized to speak in favor of ACR-153. These organizations heartily endorse it, and think it is about time that the State of New Jersey did start to give some inducement to industry by way of property relief.

In conclusion, I would say that while we would probably be agreeable to some inducement to the cities, we would not want this proposal to apply only to the cities. Thank you very much.

ASSEMBLYMAN PERSKIE: Thank you. I am very glad that your three capacities permit you to reach the same conclusion. I have to admit to a sort of intellectual curiosity as to what would have happened if it had been a two to one vote.

MR. APPLEGATE: I would have appeared here for the two.

ASSEMBLYMAN PERSKIE: Okay, thank you very much. We have a representative from the Housing and Urban Renewal Authority of the city of Atlantic City.

W I L L I A M R A F F E R T Y: Good morning, gentlemen. My name is William Rafferty. I am the Assistant Director of the Atlantic City Housing and Urban Renewal Agency. I am speaking both as a public official and as a resident of Atlantic City.

One of the responsibilities of our agency is the marketing and development of an eighty-acre beach front site. In an attempt to obtain development we have utilized every marketing device available to us. However, we still have not been successful. One of the major obstacles has been our prohibitive tax rate.

As you know, Atlantic City is a tourist and convention oriented city. However, over the last five years, over three thousand hotel rooms have been demolished. New hotel and residential construction has been nonexistent. The fact that our tax rate has soared from \$5.19 per hundred in 1972 to \$6.72

in 1975 is primarily responsible. Prospective developers see this increase and can only foresee future increases. It is a vicious circle. Taxes are raised to provide services to those who need them, and in turn the people who can afford to leave do, leaving our cities with a dwindling tax base, with an increasing tax rate.

We can see ultimate bankruptcy, unless we can offer incentives to make it financially rewarding for developers to build in our cities. This will provide us with an increased tax base and employment, which is of prime importance to a city like Atlantic City, with a staggering 20% unemployment rate in December of 1974.

We feel that a tax abatement program would be the incentive that is needed. We have reviewed the tax abatement programs of many of our competitors, states such as New York, Alabama, Michigan and Delaware. What we have found is that these tax abatement plans have worked. They have attracted new industry for these states. New York State offers exemptions as high as 100% for ten years on appreciable real property. Alabama has a ten-year exemption for a ten-year period. Wilmington, Delaware, offers a 10% a year graduated eleven-year abatement program. And this is just the United States.

To quote the Wall Street Journal, "In the past eighteen months, foreign investment in Ireland in pharmaceutical production totaled nearly \$200 million. Why? Ireland offers a fifteen-year exemption from taxes. Why should we in New Jersey not have the basic marketing tools that our competitors have?

There will be two basic impacts that the tax abatement program will have on the cities. The first will be jobs, both construction and operations. Second will be the increase in the tax base, and as that tax base increases, the tax rate will decrease. Therefore, I respectfully request this body unanimously pass the Senate Concurrent Resolution 153 and allow the State of New Jersey to return to the competitive market.

ASSEMBLYMAN PERSKIE: Thank you. To elaborate just a little bit, for how long a period of time has your agency been trying to market eighty some acres of land downtown in Atlantic City?

MR. RAFFERTY: We have undertaken a comprehensive marketing program for the last three years. Before that it was not as comprehensive.

ASSEMBLYMAN PERSKIE: But for how long a period of time has the land been available?

MR. RAFFERTY: Approximately seven years now.

ASSEMBLYMAN PERSKIE: And in that period of time, what would be your judgement as to the kind of effect this program would have had, had it been enacted?

MR. RAFFERTY: It's one of the major questions that every developer asks us first, and in development today in every city, the name of the game is what incentive can you give me; what do you have for me to come in. As the Regency-Hyatt people said, and from what others have said, at least twenty deals a week cross their desks, and the city that offers them the best -- they can develop in Atlanta, San Francisco, Los Angeles. What do you have that's different.

ASSEMBLYMAN PERSKIE: In that question of what incentives are available, what roll does the property tax play?

MR. RAFFERTY: That's the buying incentive, number one.

ASSEMBLYMAN PERSKIE: That answers the question. Assemblyman Sweeney, do you have any questions?

ASSEMBLYMAN SWEENEY: No.

ASSEMBLYMAN PERSKIE: Thank you. Does anybody else care to be heard with reference to the proposal? The hearing stands adjourned.

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HEARING CONCLUDED
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AUG 15 1985

