

Governor Phil Murphy

Acting Governor Oliver Signs Landmark Urban Enterprise Zone Reform Bill

08/16/2021

ELIZABETH – Acting Governor Sheila Oliver signed into law today the Urban Enterprise Zone (UEZ) Reform Bill (A5580/S3600). The legislation restores and revises the UEZ Program and appropriates \$42.5 million in Zone Assistance Funds (ZAF) for FY22, bringing the program back to full operation after having been without a funding source for more than ten years.

“The UEZ Program helps support the local economy, particularly in our urban centers,” **said Acting Governor Sheila Oliver, who also serves as Commissioner of the Department of Community Affairs (DCA) and will now be the Chair of the UEZ Authority.** “I am excited to sign this legislation today restoring UEZ funding, especially as many of these cities and businesses located in the designated communities continue to recover from the pandemic. Starting today, the UEZ Program will be an essential part of the state’s economic recovery strategy.”

Created in 1983, the UEZ Program Authority, an affiliate agency of the Department of Community Affairs, was created to foster an economic climate that revitalizes designated urban communities and stimulates their growth by encouraging businesses to develop and create private-sector jobs through public and private investment. In a previous iteration of the program, UEZ provided a dedicated funding source for local economic development in the form of a reduced state sales tax. Those state sales tax funds were then deployed in UEZ communities to promote economic development. A dedicated funding source, which ended in 2011, is being restored under the law signed today.

Currently, there are 32 zones, which are spread across 37 municipalities and home to approximately 7,267 UEZ-certified businesses. The first five municipalities joined the program in 1986, with the most recent joining in 2002. The original UEZ designations granted to municipalities were set to expire after 20 years. 16-year extensions were granted in 2001. The Legislature and Gov. Phil Murphy recognized the value of the program, signing legislation restoring expired UEZ’s in five cities while also extending the program an additional five years. All UEZs are currently set to expire between 2023 and 2025.

“The UEZ Authority Board, staff, and I are very excited that the Governor and Lt. Governor Oliver have refunded the program because they understand the importance of creating and maintaining thriving urban communities,” **said UEZ Executive Director Tracy Fredericks.** “The UEZ revised legislation will make it possible for small, medium, and large businesses within the zones to provide jobs to the community; and that is what the UEZ Program is all about.”

In 2018, the New Jersey Legislature directed DCA to study the Urban Enterprise Zone program and submit recommendations as to whether the program should be continued as is, be amended, or expire. The outcome was the 2019 New Jersey Urban Enterprise Zone Program Assessment, an economic study, which forecasted the economic impact of the UEZ program, determined whether it should be continued, and provided recommendations on how the program should be structured in the future.

The study, prepared by the John S. Watson Institute for Public Policy, PEL Analytics, and Anderson Economic Group, measured the net economic impact of the UEZ Program by analyzing employment counts, payroll expenditures, and gross receipts for participating and non-participating businesses located in UEZs across the state.

The analysis of the qualitative and quantitative data compiled determined that the UEZ program is a valuable tool in New

Jersey's economic toolbox and should remain available to designated municipalities.

Highlights of the new legislation:

- Creates a new process for developing a zone development plan, which would have a five-year life. Requirement for an updated preliminary zone development plan for municipalities with plans that are five years old or older.
- When creating a zone development plan, each UEZ must consult with representatives of diverse statewide or regional business organizations that represent the interests of minority businesses.
- Currently designated UEZs can retain UEZ designation for 10 years.
- Business to business sales tax exemption capped at the first \$100,000 of purchases.
- 10-year limit on UEZ business certification. Businesses certified prior to effective date of the bill will lose certification at the end of the tenth state fiscal year following the effective date of the bill.
- New Zone Assistance Fund (ZAF) allocation formula – 50% weight to MRI Distress Score, the average number of unemployed persons in each UEZ municipality, and the number of commercial and industrial parcels and 50% weight to gross taxable sales subject to reduced UEZ sales tax.
- 25% cap on Zone Assistance Fund (ZAF) use for public safety expenses.
- 10% cap on ZAF Fund use to cover administrative expenses.
- Initial \$42.5 million ZAF appropriation from the General Fund.
- Total ZAF funding capped at \$82.5 million (increases annually in line with the CPI).

Under the new law, the UEZ Authority Board at DCA will take on the following responsibilities:

- Conduct an annual review at the end of the state fiscal year of each local UEZ's use of ZAF funds.
- Prepare an annual report that must include the number of participating businesses, unemployment rate, median household income, and number of jobs in each UEZ.
- Enter into an MOU with the New Jersey Department of Labor and Workforce Development to assist in data gathering and information sharing to further the UEZ Authority's ability to evaluate UEZ performance, compliance, and initiate enforcement actions.
- Work with the Division of Local Government Services in DCA to prepare regulations, policies, or procedures to implement requirements for municipalities to place their Zone Assistance Fund allocations in segregated UEZ trusts.

"For more than a decade, the UEZ Program Authority has gone without a funding source, making it difficult for many inner city businesses to financially expand and grow," **said Senator Nicholas Sacco**. "With this legislation signed into law, businesses all over New Jersey will now receive the funding and opportunities that they have, for far too long, gone without."

"As Chair of the Senate Community and Urban Affairs Committee, it is critically important that we foster economic growth and nurture small businesses, especially in our urban centers," **said Senator Troy Singleton**. "Small businesses in the designated urban communities will see a much needed boost in support from the restored Urban Enterprise Zone Program, which will greatly assist in their long-term recovery following the pandemic."

"Especially as we work to recuperate from the financial impact of the COVID-19 pandemic, this initiative will play a critical role in ensuring our urban communities and downtown centers not only fully recover but continue to attract new businesses and become even better places to live and grow," **said Senator M. Teresa Ruiz**. "I am grateful to see the UEZ legislation signed into law, returning the program to full operation."

"As we continue economic recovery, we must ensure every small business has the resources they need as they rebuild. Leveraging every dollar spent in designated Urban Enterprise Zones of the State is key to this recovery and to preparing for long-term revitalization of our communities, especially those hardest hit during the public health crisis," **said Assembly members Gary Schaer, Angela McKnight, William Spearman, and Vince Mazzeo**. "Now is the time to fully restore the UEZ program, giving it a renewed purpose in helping small businesses and strengthening local economies."

"From enabling our business districts to recover, thrive and exceed expectations to increasing opportunities through job creation, community-based developments, infrastructure improvements, and expansion efforts, the Urban Enterprise Zone program is a proven economic and financial mechanism for promoting public and private investment, as well as

the continued growth and success of our municipalities,” **said Elizabeth Mayor J. Christian Bollwage**. “The UEZ Mayors Commission is grateful for the support of the Governor’s Office and the Legislature, as we continue to work together to provide the resources our local business communities need to sustain, grow and succeed.”

“The New Jersey Urban Mayors Association has long awaited the day where UEZ resources are returned to our communities. This vital tool has been a catalyst for economic development in so many of our urban centers,” **said Ras J. Baraka, Mayor of Newark, and President of the New Jersey Urban Mayors Association**. “I applaud Governor Murphy’s leadership on this issue and the leadership of Lt. Governor Oliver, also in her role as Commissioner of DCA, in addition to our NJ Legislators who worked collectively with our communities to create an enhanced UEZ program that will only better our municipalities, our businesses and most importantly our residents.”

“The recent census reveals that the NJ Hispanic Population is 21.6 percent,” **said Statewide Hispanic Chamber of Commerce President Carlos Medina**. “New Jersey needs initiatives like these that will add fuel the huge economic impact that over 120,000 Hispanic businesses currently provide to the state. The Statewide Hispanic Chamber of Commerce of NJ thanks the Administration for giving us a seat at the table.”

"This is encouraging news to many Urban Communities across our state," **said John Harmon, President and CEO of the African American Chamber of Commerce of New Jersey**. "These resources will lead to increased economic opportunities and potential growth for many businesses during these challenging times and beyond."

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