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PUBLIC HEARING

before

ASSEMBLY URBAN POLICY AND WATERFRONT DEVELOPMENT COMMITTEE

on

Testimony on and Implementation of the
New Jersey Urban Enterprise Zones Act

April 29, 1986
Room 334
State House Annex
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Paul DiGaetano, Vice Chairman
Assemblyman Joseph A. Palaia
Assemblyman Joseph Charles, Jr.

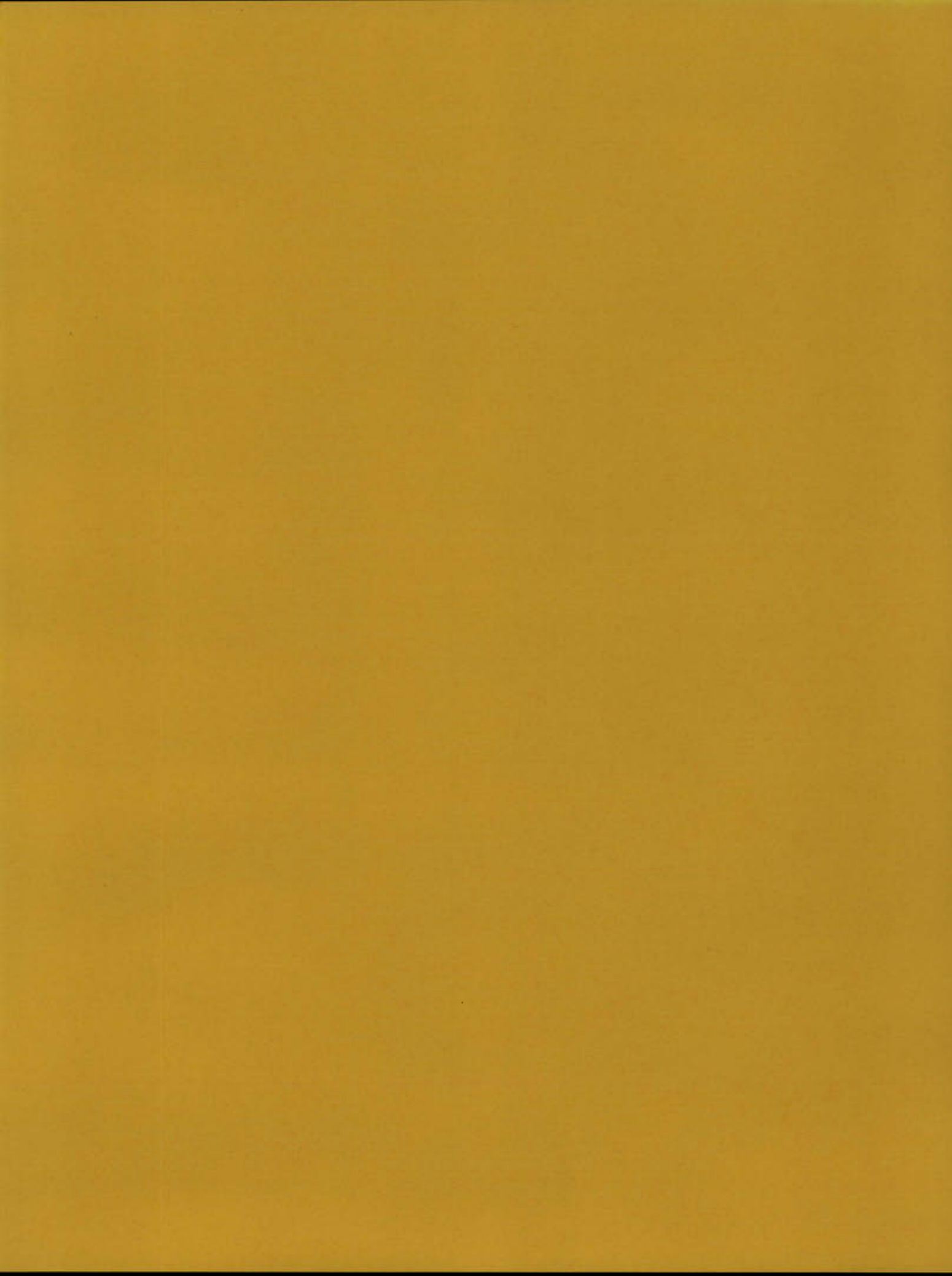
ALSO PRESENT:

Hannah P. Shostack
Office of Legislative Services
Aide, Assembly Urban Policy and
Waterfront Development Committee

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April 7, 1986

NOTICE OF A PUBLIC HEARING

The Assembly Urban Policy and Waterfront Development Committee, Chairman, Ronald A. Dario will hold a public hearing on Tuesday, April 29, 1986 at 10:00 a.m. in Room 334, State House Annex, Trenton, New Jersey.

The purpose of this public hearing is to receive testimony on and discuss the implementation of the New Jersey Urban Enterprise Zones Act.

Anyone wishing to testify should contact Hannah Shostack, Committee Aide at 609-292-1596.

TABLE OF CONTENTS

	<u>Page</u>
Assistant Commissioner Henry T. Bleicki Department of Commerce and Economic Development	1
John Bodnar Assistant to the Director Division of Taxation	19
B. Harold Smick Smick Lumber	31
Neil De Haan Director, Department of Community Development City of Elizabeth	33
Reverend Peter Jenkins Minister, Unitarian Universalist Church & Senior Vice President, Concord Industries, Ltd.	37
Rafael Zabala Administrator of the City of Newark's Urban Enterprise Zone Program	42
Adam Brumbaugh Coordinator of the City of Bridgeton's Urban Enterprise Zone Representing Mayor Donald Rinear	50
Mary Cowhey Operations Manager Easter Service Workers Association	52
Suzanne Paquin Temporary Workers Organizing Committee	58
Freda Smith President, Workers Benefit Council of Mercer County	60
Olga Crawford Chairman, Committee on Health and Safety	61
Thomas E. McGough Coordinator of the City of Trenton's Urban Enterprise Zone	61

TABLE OF CONTENTS (continued)

APPENDIX

	<u>Page</u>
Written testimony of Neil De Haan Director, Department of Community Development City of Elizabeth	1x
Written testimony of Adam Brumbaugh Coordinator of the City of Bridgeton's Urban Enterprise Zone	5x
Written testimony submitted by Richard L. Taylor Mayor, City of Plainfield	10x
Information and summary submitted by Bernard S. Davis for Kraft & Hughes, Attorneys at Law	14x

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ASSEMBLYMAN PAUL DiGAETANO (Vice Chairman): Good morning, ladies and gentlemen. I'm Paul DiGaetano; I'm the Assemblyman from District 36, and I'm the Vice Chairman of this Committee. I'm chairing the meeting today because our Chairman, Assemblyman Ron Dario, is hosting the Governor in Union City, and is unable to make this meeting.

I'm joined today by Assemblyman Joe Palaia and Assemblyman Joe Charles, also of the Committee. This hearing today is to take testimony regarding the implementation and the effect of the New Jersey Urban Enterprise Zone Act. We have several of you already signed up to testify, and I would ask that anyone who has not signed with Hannah to please put your name on a piece of paper and get it up to us here while we are taking testimony so that we will get each and every one of you who wish to testify today.

Are there any comments from the Committee members before we begin the testimony? (negative indications from members) No? First, I'd like to call Mr. Henry Blekicki, who is the Assistant Commissioner of the Department of Commerce and Economic Development. Good to see you again, Henry.

ASSISTANT COMMISSIONER H E N R Y T. B L E K I C K I: Thank you, Mr. Vice Chairman.

Good morning, members of the Committee. It's a pleasure to be here this morning to review with you the progress that the Urban Enterprise Zone program has made in the State of New Jersey. The Department of Commerce provides a support staff for the Urban Enterprise Zone Authority, and it's on their behalf that I'm here today.

The Urban Enterprise Zone program was approved, as you know, in October of 1983 as unique new partnership between State government, local government, and local industry in 10 cities across the State. It was viewed as an experiment in urban redevelopment and, as such, only two zones could be approved per year. For a city to be a successful applicant for

a zone, the city had to demonstrate not only a strong need but, just as importantly, a firm local commitment by the private sector and the public sector to deal affirmatively with the economic development problems which were specific to that city, so that there would be a reasonably good chance for success.

Administratively, the program was set up so that once a zone was approved, businesses would have to make a commitment to increase full-time permanent employment during the first two years of their participation in the program, in order for them to be approved for the various program benefits.

For a business to retain qualified status over the 20-year life of the program, it would have to be recertified annually, showing that improved employment was being maintained.

The first two cities with approved zones were Newark and Camden -- they gained approval in October of 1984. Subsequently, Bridgeton and Trenton were granted zones in April of 1985; and shortly thereafter, Plainfield, through special legislation, was granted zone designation at the request of the Urban Enterprise Zone Authority as the third approved zone in 1985. This special legislation also permitted the Urban Enterprise Zone Authority to designate zones as quickly as it desired, and expanded the number of zones that could offer the 50% reduction in retail sales tax benefits from four zones to five zones. Finally, as 1985 ended and 1986 began, the final five zones were designated; namely, Jersey City, Orange, Elizabeth, Kearny, and a joint zone (through special legislation) of Millville/Vineland.

During the 18 months that the Urban Enterprise Zone program has been functioning, there has been a commitment by 673 businesses to create over 8,000 permanent full-time jobs, 1400 part-time jobs, and an investment of over one-half billion dollars. Also, 48 firms have been recertified as making progress toward their two-year goals. These are dramatic results far and above what anyone would have forecast two years

ago. While admittedly, some of these projects might have happened anyway, the Urban Enterprise Zone program accelerated those projects plus encouraged new private sector commitments that would not have occurred had it not been for the program incentives.

The cost to the State Treasury is difficult to ascertain at this early stage in the program. The only cost we do have a handle on, at the present time, is the loss in retail sales tax revenue, and it is projected that this will amount to between \$3-4 million in calendar year 1986. Of this, one-half, or \$1 & 1/2 to \$2 million, will be available to the five cities with the sales tax benefit for economic development purposes in those five zones. Since there are several other tax benefits, including the complete elimination of the 6% sales tax that businesses must pay on some of their purchases, it is possible that the Office of Management and Budget's estimate of a \$20 million loss in tax revenues is a reasonable one for 1986. Offsetting this tax loss are the increased taxes paid by the 8,000-plus new employees, as well as the increased business taxes paid by the 673 businesses participating in the program. This could amount this year to several million dollars.

As an added point, the Department has projected that the benefit to the State of one new employee -- full time, permanent employee -- is \$1673, from all taxes that they would be paying. If we were to use that figure with the more than 8,000 jobs projected over the two-year period, that would amount to \$13 & 1/2 million of additional revenues. So, we can see that in the not too distant future there might be a point where we are in balance, but certainly, this year, and very likely next year, there will be a net loss to the Treasury.

Finally, we have received very few complaints from businesses outside the 10 zones indicating that they were experiencing losses in sales because of the 3% sales tax that

can be charged by participating businesses in the five zones. While this loss is certainly regrettable -- that there are some businesses experiencing sales revenue losses -- the Legislature, in providing this competitive advantage to the zone businesses, was making a policy decision that downtown retail shopping centers needed unique assistance.

In summary, the competitive nature of designating zones has worked well in forging a partnership between local businesses and government, and the results have been beyond expectations. In fact, New Jersey's Urban Enterprise Zone program is recognized as the nation's most successful.

That concludes my testimony, and I would be pleased to answer any questions that you have. I will have available copies of my testimony later on in the day; unfortunately, our word processor went "kaplooie" this morning, and so, my apologies.

ASSEMBLYMAN DiGAETANO: Assemblyman Palaia?

ASSEMBLYMAN PALAIA: Mr. Bleicki, is there any particular type of jobs that are being created -- more so than any of the others, Henry?

MR. BLEICKI: At the present time, we cannot determine or ascertain that one type of job is being created more frequently than any other type. The program was designed by the Legislature, I think quite wisely, to attract all types of businesses. And in certain cities, we find that one type of business may be more attractive than another type of business.

So, we see that manufacturing firms, retailers, service companies -- all of them -- are taking advantage of the program. Of the 673 businesses currently in the program, about one-third of them are retailers, and they are in those five zones that have the retail sales tax benefit, for the most part.

So, you can see that there is a preponderance in the first five zones that have the retail sales tax benefit to have retailers participating in the program, but that does not mean

that we are not experiencing significant employment by other sectors. For example, on Friday, I had the pleasure of escorting a group of foreign press -- reporters -- through three zones -- three zones having this retail sales tax benefit, and one of the locations we went through was a manufacturing firm in Newark, which is making a commitment of well over \$5 million, and is going to be hiring somewhere between 50 and 100 employees over the next few years. In fact, they've already hired 20 or 30.

So, we can see that the program as presently constituted is attractive to all types of business.

ASSEMBLYMAN PALAIA: I'd be interested because I feel there's a direct correlation between the Urban Enterprise Zones and the education provided for the students in that immediate area, through the school system -- through the work experience. I think there's a correlation between what you're doing and education, because I feel that you can't provide the individuals to work, and you want to take them, obviously, from the immediate area--

MR. BLEKICKI: Yes.

ASSEMBLYMAN PALAIA: But as a former educator, I know that there's a lot schools can do to crank out the type of students that you're looking for, who work in that type of atmosphere and that profession.

MR. BLEKICKI: I couldn't agree with you more.

ASSEMBLYMAN PALAIA: Good.

MR. BLEKICKI: I'm also a former educator; I'm on a leave of absence from a university.

ASSEMBLYMAN PALAIA: Something I liked about you from the beginning, Henry. (laughter) I knew there was something about you -- the air about you, or something.

MR. BLEKICKI: And there's no doubt, I think, in anyone's mind that the educational system must be providing a qualified product, an educated and well-motivated student body

that becomes a part of the work force; and I think that many of the programs that we have are short-term programs, but certainly, the educational program is a long-term one that we must make a commitment to.

ASSEMBLYMAN PALAIA: That's why I like the high-school proficiency test -- the HSPT.

MR. BLEKICKI: I agree with you, too.

ASSEMBLYMAN PALAIA: I'm a firm believer in it because I think it goes along that the individuals who run these businesses want people who are graduated from school who do know how to add single-digit columns, who do know how to make out an application. I think that's what we're trying to gear. Maybe it won't happen right away.

Thank you, Henry. Thank you, Mr. Chairman.

ASSEMBLYMAN DiGAETANO: Assemblyman Charles?

ASSEMBLYMAN CHARLES: Which of the five zones have the 50% sales tax?

MR. BLEKICKI: The first five, which are Newark, Camden, Bridgeton, Trenton, and Plainfield.

ASSEMBLYMAN CHARLES: The other-- The last five which you designated do not have that authorized under their grant to offer that?

MR. BLEKICKI: Correct. Originally, it was only four zones, and then legislation amending the original legislation was passed to increase it to five. So, it was really, originally, Newark, Camden, Trenton, and Bridgeton, and then it was expanded to include Plainfield.

ASSEMBLYMAN CHARLES: The exemption from paying sales tax by the businesses which are located in the zone -- does that extend to all 10?

MR. BLEKICKI: Correct, yes.

ASSEMBLYMAN CHARLES: Is there any legislation presently pending that would extend sales tax--

MR. BLEKICKI: Yes, there is a proposal--

ASSEMBLYMAN CHARLES: --the 50% to the remaining 10 -- the remaining five?

MR. BLEKICKI: There is a proposal to do so, yes.

ASSEMBLYMAN CHARLES: And I imagine there is-- And I think there is some legislation that's pending to extend and expand the number of areas that could be designated Urban Enterprise Zones under the legislation, is that correct?

MR. BLEKICKI: There are at least two bills that I'm familiar with that would propose to expand the number of zones 1-12 and the other to 15 zones. Perhaps it might be worthwhile for me to make a comment with regards to expanding the zones.

ASSEMBLYMAN CHARLES: I would like some comment on that, too. First of all, if you could just bring us abreast of what the 12 is, what the 15 is -- if there's any difference between them, and what your position would be on the 12 to the 15. I ask that because I know that at the beginning, when we discussed this before it was enacted in '83, one of the thoughts was that we would have this 20-year situation. We established zones in the beginning, give them a chance to function to see what the experience was, and then make some re-evaluations. So, I'd like to hear the Department's view on this expansion.

MR. BLEKICKI: The bill that would increase the number of zones by two is very specific as to which cities would receive the benefit, and there would be two cities in North Jersey -- I think, Paterson and Passaic, if I remember correctly. The other piece of legislation which would increase the number of zones by five specifies that it would be, I think, Asbury Park and Long Branch, and that the three other zones would be North, Central, and South Jersey.

The authority and the Department of Commerce feel very strongly that one of the key elements of the Urban Enterprise Zone program is its competitive nature, that in encouraging the cities to come before the Authority and make their presentation

as to why their city should receive zone designation, we find that it provides motivation to have the city fathers reach out to the business community, and perhaps -- in ways that they had not done so before -- create new linkages. And these new linkages turn out to be terribly important in the success of the program.

I point to Plainfield as a prime example, where over 1,000 jobs have been committed to in a modest-sized city. And the mayor and the members of the governing body all credit that to the fact that there is this very close partnership between the business community -- which was developed because of the program but prior to making application for zone designation -- that this teamwork is terribly important in order to see the program move forward from the approval date, so that in fact we do have jobs being created and private-sector investment being made.

For that reason, the Authority and the Department could envision additional zones being approved, but would recommend that it be done on a competitive basis. That doesn't mean that suddenly, it couldn't be split between North, Central and South to make sure that there is geographical dispersion, but to specifically designate one or more cities. While, of course, it provides an initial benefit to the city because they don't have to compete in that framework, we see that in the long run it could be harmful to them. We think that this competitive nature is a key element, and we would suggest that any legislation that is passed preserve that requirement that there be a private-public partnership before the application is made.

I can think of a number of situations where cities have made application to the Authority, and certainly demonstrated strong need for the program, but we could see that the partnership was not there. And in fact, in one case I can remember, a developer who was making a significant commitment

to that city admitted that he could not gain any financing assistance from the local banks in that city. The banking community had not yet turned around and decided that this is where they should be investing their money. And that's a serious limitation, when the banks aren't willing to make that commitment to their home community. So again, we would suggest that the competitive nature of the program be retained.

ASSEMBLYMAN CHARLES: What does that mean in relationship to the proposals that the number of zones be increased to 12, and the other that it be increased to 15? Does that mean--

MR. BLEKICKI: I think--

ASSEMBLYMAN CHARLES: --that the Department has -- would favor that provided there is this competition and provided this prior partnership in the city exists? Or does it mean that the Department, irrespective of any prior relationship between government and industry, disapproves expansion?

MR. BLEKICKI: No, the Department and the Authority certainly are not opposed to some modest expansion of the program. However, remembering that the Legislature a few years ago originally designed a program so that it would take five years to implement 10 zones, and within 18 months we had 10 zones, we would suggest that we proceed cautiously. I think that there may be someone from the Department of Treasury that will deal with the fiscal impact on the State; and that is something that we certainly are concerned about, but we think that the program has demonstrated enough success during the first 18 months that we no longer consider it an experiment, and therefore, we would be supportive of some modest increase in the number of zones, but again, in a deliberate and perhaps not immediate fashion.

ASSEMBLYMAN CHARLES: Just for informational purposes, now, so that we're clear and everyone here on the Committee, and those sitting out-- What the law says is, there's a

20-year period. That 20 years specifies that a zoning exists for 20 years, is that correct?

MR. BLEKICKI: Correct.

ASSEMBLYMAN CHARLES: Then thereafter, whatever benefits one has, as a result of the -- being so designated ends?

MR. BLEKICKI: Correct. And the legislation also says that the benefits cannot be extended beyond the 20 years.

ASSEMBLYMAN CHARLES: Is there some reduction of the benefits as the 20 years pass?

MR. BLEKICKI: Only one of the benefits, and that is the unemployment insurance benefit. The first four years, there's a 50% reduction in the tax that the businesses have to pay for their new employees, and then every four years, it drops off by 10% until after 16 years. The 17th year, then that benefit is phased out.

ASSEMBLYMAN CHARLES: What is the position that the Authority is taking about the residency of employees who, to benefit from the zone designation-- Is there some stipulation in the award, the designation that priority be given to those in the city or those immediately adjacent to the area, or is there none?

MR. BLEKICKI: Yes, there are two provisions which deal with your question. One is that for a business to receive either a \$500 or a \$1500 award against a corporate income tax -- New Jersey corporate income tax, that they must hire individuals from that city who have either been unemployed for 90 or more days or rely primarily on public assistance for their income. Furthermore, there is a stipulation that for new businesses moving into the zones, they must hire a minimum of 25% of their new employees from the unemployed of that city. There is a piece of legislation, or a part of a bill, that deals with the practical problem that we found, specifically, with Kearny, but certainly would be a problem for all cities,

and that is, since Kearny's zone is primarily an industrial area where there is a great deal of vacant not only land but buildings, that most of the benefit to Kearny would be in bringing new businesses into the zone. Kearny, while having a significant unemployment problem, is a small city, and therefore does not have that many unemployed that could be matched against a 25% requirement. It is projected that at least 4000 jobs could be created in the Western Electric site alone, which would mean that businesses, to qualify, have to commit to hiring 1000 employees from Kearny. There are not 1000 unemployed in the City of Kearny, and so therefore, that is an impediment to Kearny's zone, to really expand and become successful.

Therefore, there is an amendment to the legislation which would allow a business to become qualified if it were to hire unemployed from any of the 10 zones. And since Jersey City and Elizabeth and Newark are next-door neighbors, so to speak, of Kearny, those cities would benefit from that change in the law. And of course, Kearny would benefit because their unemployment would also go down, and their ratable base would go up.

So, we think that it is an appropriate amendment to the legislation to allow all businesses to hire from any of the 10 zones, because it still benefits the zones that the State has designated.

ASSEMBLYMAN CHARLES: I have no further questions. Thank you, Mr. Blekicki.

ASSEMBLYMAN DiGAETANO: Okay, Joe. Mr. Blekicki, you have testified, and we have heard some comments, additionally, that the designated zones have an impact on the surrounding area. Has the Department studied that impact, and is there any evidence to support the claim to some neighboring businesses or communities that in fact, the designated zones are detracting from their business?

MR. BLEKICKI: We have received, either by telephone call or by letter, comments from seven businesses indicating that, in fact, they either were experiencing or projected experiencing a loss of revenues because they were outside of the zones. And several of them -- two, I think -- were many, many miles away from any zone. One of them is an appliance dealer, and foresaw losing business because people would be willing to travel some distance to obtain a 3% sales tax benefit -- the reduction. And I envision that, in fact, there will be additional businesses that will experience the same problem.

As my testimony indicated, I believe the Legislature recognized that this was a potential risk; that the greater need for these downtown shopping centers -- which have suffered so greatly because of the emergence, 20 or 30 years ago, of shopping malls and strip malls along the major highways -- that these losses, while very regrettable, would, from the public's perspective, be more than offset by the hundreds of expanded retail businesses in these downtown shopping centers. So yes, there has been some projected loss or actual loss. But again, several letters or telephone calls, in comparison to 673 business, of which a third of them are retailers in the zones -- so, a modest impact, but yes, an impact.

ASSEMBLYMAN DiGAETANO: Has the Department any position with regard to the -- let's say, the distance between designated zones, and the possible effect of one designated zone on another nearby zone?

MR. BLEKICKI: The only-- Well, first of all, the Department and the Authority have not really studied that problem. But, thinking about it, as you phrased the question-- The initial impact of a negative nature might be for zones that are near other zones that have the retail sales tax benefit. And again, we have not received any complaints from any of the five zones that don't have the retail sales tax benefits, saying that they're in an unfair competitive

position. We have heard, however, that certainly, some of those cities would like to receive that benefit -- additional benefit.

I should point out to you that of the last five zones that don't have the 3% sales tax benefit, either two or three of them structured their zones so that almost all of their downtown retail area would be outside of the zone. So, they felt that they did not want to cause any of their retailers, who might be outside of the zone, to suffer in comparison to those businesses that would be in the zone. So, there were some cities that recognized that problem and made their zones boundaries so to exclude retailers. But right now, there has been, to my knowledge, no significant negative impact on any of the zones because they are close to or far away from any other zone.

ASSEMBLYMAN DiGAETANO: What does the Department find is the most attractive advantage to the Urban Enterprise Zone Act -- Urban Enterprise Zone designation?

MR. BLEKICKI: Of course, from a retailer's perspective, it is the reduction of the sale tax benefit, from 6% to 3%. But there is one benefit that really has far greater impact on all businesses, and that is the elimination of the 6% sales tax that a business must pay when it purchases its business supplies, its business goods, as well as, if in fact they wish to expand. To renovate their building, they are free from paying the 6% sales tax on the building materials that would go into the construction. That benefit probably will have the greatest impact on the Treasury. It will far exceed the impact of the retail sales tax reduction from 6% to 3%, but currently, it's difficult to actually determine what that impact will be. We currently are going through a survey of all of the business that are approved, and trying to estimate from their responses what will be the loss in revenues because of the 6% elimination. But we do not have a number yet to report to the Legislature.

ASSEMBLYMAN DiGAETANO: Earlier in your testimony, you talked of the losses to the Treasury and the gains as a result of new employees, etcetera. If I understood you correctly, your opinion was that for '86 and '87, we will experience a net loss.

MR. BLEKICKI: Correct.

ASSEMBLYMAN DiGAETANO: However, thereafter, we hope to experience at least a wash, and possibly, I guess we could experience some effects to the good.

MR. BLEKICKI: I'm not sure, in FY '88, what the impact will be. It may be a wash by that time. We're hopeful that we'll be at the break even point at that time, but again, it's only a hope, at this time, because we have not ascertained with any degree of certainty what the total loss of the revenue to the Treasury will be, for the first and second year. So, we're really only estimating right now.

ASSEMBLYMAN DiGAETANO: What is the Department's position with regard to the 50% sales tax reduction to the second five zones?

MR. BLEKICKI: I think that the Department, excluding the concerns of the Treasury -- and they have to be, of course, included in the Legislature's deliberations-- The Department of Commerce's feeling is that it would have no problems if it were made as an option for the Urban Enterprise Zone Authority, upon special application by the remaining five zones.

ASSEMBLYMAN DiGAETANO: Just one last question. What have we learned from experience, and how has that affected the implementation of the second five zones? What have we learned from the implementation of the first five, let's say? How has our implementation changed?

MR. BLEKICKI: Well, I think that one of the things that we learned is that the cities must aggressively market the program immediately after designation. And that means that there must be seminars -- conferences -- inviting the business

sector that exists in the cities to come and learn about the programs -- that is critical. Furthermore, the cities must put together informational packages, and I must point to Camden's very, very professionally done brochure, as ways of reaching out to the businesses beyond their borders, in other states, to entice those businesses into the cities. And of course, that is the long-term hope -- that the job creation in the future will be primarily from new businesses moving into the cities, rather than simply the present businesses in the cities expanding. It's quite understandable that the first ones to take advantage of the program would be those businesses currently there, and that's great, that they are willing to make the commitment to expand.

So, marketing is terribly important, and we've looked at programs across the country -- in other states -- and there are 26 other states with similar programs, and certainly, an aggressive marketing program; and with staff committed to this program, at the local level. That's critical. And in the first five cities, we've seen that commitment made on a very, very strong basis.

And what we see in the second five cities is that because of the change in Federal funding of various programs, for instance, the Small Cities CDBG program, that cities that were planning to use revenues from -- generated from the Small Cities CDBG program to fund their own administration of the Urban Enterprise Zone Program are now in dire financial straits, and they may not be able to provide the support -- the local support -- that they originally committed to.

So, changes in Federal programs are having a negative impact on what the State is doing. And there is a movement on by some of the second five cities -- in fact, including all of the 10 cities -- to gain some financial support, on a one-time basis, from the Legislature to help support the creation of the staff and offices necessary to implement the program.

ASSEMBLYMAN PALAIA: Mr. Chairman?

ASSEMBLYMAN DiGAETANO: Yes, Assemblyman Palaia.

ASSEMBLYMAN PALAIA: On the marketing aspect, Henry, that you were just speaking about-- Can you determine how many new businesses have come in because of this marketing -- you said something about 673 business?

MR. BLEKICKI: Yes.

ASSEMBLYMAN PALAIA: Is that the correct number? And could you give us a number, maybe, just off the top of your head, by chance?

MR. BLEKICKI: I don't have a firm number in mind--

ASSEMBLYMAN PALAIA: But is it considerable, or is it just a few?

MR. BLEKICKI: Oh, it's more than a few.

ASSEMBLYMAN PALAIA: It's more than a few. In other words, the marketing aspect works--

MR. BLEKICKI: Oh, yes.

ASSEMBLYMAN PALAIA: --in attracting new -- completely new businesses to the area?

MR. BLEKICKI: For example, two weeks ago, I was down in Camden at the one-year anniversary celebration of their program, and it was housed in a brand-new building -- a business that had moved from Pennsylvania to Camden, and they currently had, I think, 80-90 employees, and they looked to expand, or to double their business, within two years.

ASSEMBLYMAN PALAIA: That's what I had in mind. That's impressive.

MR. BLEKICKI: So, there are quite a few foreign -- out-of-city businesses, out-of-state businesses moving in. And whether it's 10% or 20%, I couldn't say at this point, but it is significant in the number of jobs.

ASSEMBLYMAN PALAIA: Thanks, Henry.

ASSEMBLYMAN DiGAETANO: Assemblyman Charles?

ASSEMBLYMAN CHARLES: There's a recertification requirement under the law that enables the businesses to continue to get the special treatment.

MR. BLEKICKI: Yes.

ASSEMBLYMAN CHARLES: Have most of these businesses been recertified as being in compliance with the requirements?

MR. BLEKICKI: The law requires that annually the Authority recertify businesses. Because of the young age of the program, there are only two cities in which the businesses have a year or more of participation in the program. They are Newark and Camden. Forty-eight businesses were required to be recertified, having been in the program one year, and they were recertified.

Not all the businesses met the commitment that they had made, but the commitment was for two years. As an example, a major manufacturer down in Newark had committed to creating well over 100 jobs, and investing over \$5 million in two years. It looks like they will make that goal in maybe two, two and a half years. They had some, I think local problems that slowed the process for the new construction, but the foundations are in, the building is going up, and we expect that they will make, or meet, their commitment. They may be a little slower than was originally projected, but it was not because of anything that they were doing -- they were not sitting on their hands. So, in all cases, we saw that progress was being made by those 48 businesses, in meeting their two-year goal.

ASSEMBLYMAN CHARLES: I take it, then, that the position of the Authority is going to be that if they don't meet those commitments and those requirements of the grant, then there's going to be a reconsideration of their designation; is that right?

MR. BLEKICKI: Oh, yes. At the end of the second year, if we don't see increases in employment, then very likely, the authority will pull their approvals.

ASSEMBLYMAN CHARLES: One thing that interested me is something you said earlier. You stated that some of the cities

-- areas which have been designated thus far, they have excluded the current retail businesses in drawing up the zone.

MR. BLEKICKI: Yes.

ASSEMBLYMAN CHARLES: Why is that? What do they give as the reason, or what do you suspect is the reason?

MR. BLEKICKI: Well, in Kearny's case, their need was entirely industrial. The Western Electric site -- a major vacant site -- and they saw that that, plus other vacant lands in their South Kearny area -- which is entirely industrial -- was their area of greatest need.

In Jersey City's case, the mayor and administration felt that the benefit -- to provide the benefit to some of the retailers, and exclude it with other retailers in the City, could be harmful, and therefore, since the retail community was prospering in Jersey City, they did not feel that it was necessary to provide this additional incentive.

ASSEMBLYMAN CHARLES: Even though the zone is -- the contemplation is, the zone will be a large percent retail operation, as opposed to manufacturing and industrial, as Kearny's would be?

MR. BLEKICKI: Well, in Jersey City's case, it was viewed that the zone would primarily be commercial-office and manufacturing-industrial; and that there would be very few retailers in the zone, as they had specified it.

ASSEMBLYMAN CHARLES: Does the zone-- The zone principal -- does that help in the development of new businesses, or is that just something that creates jobs -- expansion by existing business?

MR. BLEKICKI: Well, it does both.

ASSEMBLYMAN CHARLES: When I say new businesses, I don't mean the businesses that come from Pennsylvania and New York or whatever, but just a new business starting out.

MR. BLEKICKI: That's a tough question to answer at this time. During the last two years, there have been well

over 600,000 new small businesses created across the nation. This past year in New Jersey, that number was something like 30,000. To say that the Urban Enterprise Zone was influential in creating a certain portion of those 30,000 jobs really is very, very difficult. This is a time of entrepreneurship in America, and we see that there's a great willingness, on the part of businessmen and women, to undertake risk, so I really couldn't respond to your question.

ASSEMBLYMAN CHARLES: Thank you. Thank you, Mr. Chairman.

ASSEMBLYMAN DiGAETANO: Thank you, Mr. Bleicki.

MR. BLEKICKI: My pleasure.

ASSEMBLYMAN DiGAETANO: At this time, I'd like to call John Bodnar, who is the Assistant to the Director of the Division of Taxation. Mr. Bleicki, if you have the time and you can stay until he finishes testifying, we'd appreciate it.

MR. BLEKICKI: Yes, I will stay.

ASSEMBLYMAN CHARLES: If we could have your testimony, too? I'd really like to have that.

MR. BLEKICKI: Oh, yes, I'll have that by the end of the day.

ASSEMBLYMAN DiGAETANO: Good morning.

J O H N B O D N A R: Good morning, Mr. Chairman. I appreciate the opportunity to come before you today to testify on the Urban Enterprise Zone.

As you know, the Division of Taxation, of course, has the responsibility for administering the several tax benefits that are available under the Urban Enterprise Zones Program.

Basically, there are the five major benefits, which, of course, were covered by Deputy Commissioner Bleicki, namely, the sales tax exemption for purchases, which is available to all qualified businesses in an Urban Enterprise Zone; the sales tax exemption for capital improvements and new construction, which is also available to all qualified

businesses located in Urban Enterprise Zones; the 3% reduced sales tax rate, which is available to only the certified vendors -- those retailers that have been certified by the Director of the Division of Taxation that are qualified businesses that are located in the Urban Enterprise Zone; the \$500 or \$1500 employee business tax credit, which is allowed against the corporation business tax; and the net worth tax exemption, which is available to certain corporations.

It's my understanding that the Division has been looked upon as to what, perhaps, some of the revenue implications are with respect to the tax impact at this juncture. Unfortunately, there isn't available, at this time, that much data which can indicate to us what the real revenue loss would be. I can tell you the one provision that is in effect now, which is the 3% reduced sales tax benefit, which became effective January 1, 1986, and which is available to some 207 certified vendors. We have been tracking that particular benefit, and with respect to that benefit, our projections indicate that the reduction to the general treasury -- that's the reduction to the general treasury -- for the calendar year would be approximately three to four million dollars. Of course, approximately half of that amount will go into the Urban Enterprise Zone Assistance Fund. So that essentially what happens, of course, is that the 3% that is charged no longer goes to the State, but it goes to the Urban Enterprise Zone Assistance Fund.

Just briefly, if I can maybe fill you in on this, we have five communities -- or five zones -- that are participating in the reduced rate benefit. To date, in Bridgeton there are 69 companies that are participating and they've reported 3% sales tax collections to us, up until March 31st, of \$69,753. For Camden, there are four companies -- or four retailers -- that are participating as certified vendors, and we've, of course with only four, we have \$5115 that have

been reported as 3% sales tax collections. In Newark, there are 50 certified vendors, and to date we've received \$124,000. Plainfield there are 73 vendors, and it's \$57,000 from those 73. And in Trenton, there are 11 certified retailers that are authorized to charge a tax at 3%, and to date we've received \$53,000 from those 11. So, the sum total for the five zones amounts to \$309,000 for the first three calendar months of this year. So, that \$309,000 will be credited to or deposited into the Urban Enterprise Zone Assistance Fund.

Another way of translating this into the impact to the general treasury, or the general fund, is that, in reality, the State would have been receiving twice that amount, or \$618,000, of course. And again, projecting that for the year, we would come up with the three to four million dollars.

One of the concerns that we do have, and we have to express some reservation with the three to four million dollar estimate for this year, is that although we have 210 certified vendors who have qualified to charge the 3% sales tax, the filing requirement -- we have only been getting responses from about 150 of the 210. We have a program in effect in the Division to try to contact the other 50 or 60 vendors to find out why they are not filing. It's not as easy as just trying to call somebody, because some of them have their base of operations located in Salt Lake City, or in Chicago, or in Philadelphia, California, or some place. But, in the event that there are some large ones there, that three to four million dollar figure could be affected for the current year.

I might also point out that, with respect to the 207 certified vendors, we are also receiving from them collections at the 6% rate. What that essentially means is that not all of their sales are sales that qualify for the 3% sales rate under the Urban Enterprise Zone. I'll just give you a little background on that. Under the Urban Enterprise Zone we do not allow, for example, sales that are telephone sales to qualify.

An individual has to come in person to make the purchase. Sales of food-- There are certain enumerated kinds of sales that don't qualify for the 3% reduced rate.

In addition, I might point out, of course, that this is for 1986, and that we have 210 certified vendors. The question that we are confronted with is what the impact will be for 1987, 1988, and so forth. The concern, of course, or the feeling of the Division is we are in the infancy of the program. We don't know how many businesses will qualify for 1987 and 1988.

In that respect, I might point out that the businesses do have to apply to the Division each year on or before October 1st in order to qualify for the certified reduced rate benefit. Now, we have tried to, based upon the projections that have been made, tried to make some determination as to what the impact would be based upon the level of expected investment and the new jobs. As I've indicated, based on the current levels of the Urban Enterprise Zone Program, we have the three to four million dollar estimate for 1986, we have the purchases exemption provision. This means that a qualified business is not required to pay sales tax on any purchases it makes with respect to office supplies and so forth. To try to determine what the cost of that particular provision is is difficult without having some kind of report or information from the business itself. We do know, based on the data the Division has, that there are some 600 -- over 600 -- businesses that have qualified. If we assumed that the annual expenditures of each of those businesses was about \$12,000 a year, we would be talking about a revenue impact of only about \$450,000, based on the current number that are qualified as qualified businesses.

The new construction exemption -- this is where someone is putting up -- making a capital improvement and putting up new buildings. Based upon the numbers that we have

seen that have been published, which are in the \$300 to \$400 million range, we could assume that the impact there, on an annual basis, could be five to six million dollars, based upon the current suggested numbers.

The corporation business tax employee credit: that will be claimed and taken as credit on the corporation tax, which we have a \$500 credit for each new employee -- for certain new employees -- that have been unemployed or on public welfare -- that's the \$1500 credit -- and \$500 credit for other employees. That's for each new employee. Based upon the projected number of jobs -- the 8000 number -- and assuming that approximately 30% of those would be in the manufacturing area, because this credit only applies to those in manufacturing and not in retailing, our preliminary estimate, based on that level, indicates that there would be approximately a \$1.8 million effect based on the current level.

The net worth tax exemption: that particular provision is being phased out under the corporation tax so that we feel that the loss with respect to that area is, in reality, negligible.

I don't have any formal written testimony; be happy to answer any questions that you may have.

ASSEMBLYMAN DiGAETANO: Mr. Bodnar, just one question. You just mentioned the figure 450,000 based on \$12,000 purchase per company. Is that--

MR. BODNAR: That's correct.

ASSEMBLYMAN DiGAETANO: Did I understand you correctly? On what do you base that number, or is it something that we're just-- Is that just--

MR. BODNAR: There's really no way to tell, Mr. Chairman. One of the suggestions -- and we've met with and we do have ongoing meetings with the Department of Commerce -- one of the things that we've discussed is perhaps trying to find a method of tracking what the actual benefits are of each of the

companies that are participating in the program. One way to do that, of course, would be to require each of those companies that are qualified to file a report -- a periodic report; monthly, quarterly, whatever. Our feeling would be that perhaps the most appropriate way would be to have the company, when it is required to apply for recertification, to at that time furnish data to the Department of Commerce indicating in that application what its tax savings has been with respect to the purchases exemption.

The 12,000 is an average. It's probably a reasonable, modest average. But it's-- I wouldn't want to use a higher figure or lower figure.

ASSEMBLYMAN DiGAETANO: Assemblyman Palaia, and questions?

ASSEMBLYMAN PALAIA: Yes. Are there any auxiliary benefits that we are getting that we're not counting on? For example, people who don't have jobs who we are paying for welfare, or whatever we're paying for, are now being employed. Can't we deduct some of that from all the losses, Mr. Bodnar? Or isn't that part of what you do?

MR. BODNAR: Looking at the plus side of it -- I realize that there are plus sides to this -- and all I'm addressing at this point is what the--

ASSEMBLYMAN PALAIA: Yeah.

MR. BODNAR: --what the reduction would be to the general fund based upon the tax benefits. Certainly there is the feeling in Treasury at this point that there should be some kind of an in-depth study conducted, particularly, as Assemblyman Charles mentioned, the legislation for expansion of the Urban Enterprise Zones Program. As Deputy Commissioner Blekicki mentioned, the 10 zones were supposed to be adopted over a period of five years. I think we've gotten through 18 months or two years, and we've already adopted the entire 10 zones that are authorized under the Act. There is pending

legislation which would add an additional five zones; there's also pending legislation to expand the tax benefits. There's pending legislation which would expand the 5% benefit to all 10 zones.

The position of Treasury at this time -- the feeling is that there ought to be a moratorium on a commitment of that nature until there is an in-depth study, because the State is making a 20 year commitment to these businesses, and I think we ought to know where the program -- is the program really providing the results that it should be providing. If so, terrific. Then, we're all, certainly, strongly in support of it. But the program is in its infancy, and the serious question is, as was brought up before, what about the businesses who are not participating who are not in the zone, could there be some off-shoot? If you expand it the other side-- The other question is, if you do expand the 5% benefit to -- the 5% reduced rate to all of them, are we not diluting the advantages? And if we are diluting the advantages, will those zones who currently have the 5% reduced rate perhaps not enjoy the advantage that they have this year.

ASSEMBLYMAN PALAIA: And plus the fact that right now, you're locked into this.

MR. BODNAR: We are. The State's making a commitment for 20 years.

ASSEMBLYMAN PALAIA: Right, you're locked into it. So, no matter whether we have a surplus, like we did last year, or we're in real dire straights in another year or so, the fact of the matter remains we are committed to providing this service.

MR. BODNAR: The State is making a 20 year commitment. And I also would like to perhaps place a reservation on the very rough numbers that I'm presenting to the Committee this morning. They're based upon the level of about 600 companies that are presently participating in the

program. We don't know whether there will be 1000 or 3000 or 5000 companies participating in the next few years. So that, I think all of these things do have to be weighed very carefully.

ASSEMBLYMAN PALAIA: Well I'm not holding either you or Mr. Blekicki to some of these numbers, because, again, you're right, it's in it's infancy. And, I can fully understand that. But, I think the point you make, and I think it's well taken, that very soon and not somewhere down the road we better take a hard and fast look at what it's costing the State and the people in New Jersey, and is it justifiable. Is it feasible, you know, to go on like this. And I would have to think-- I would hope that it would be with the creation of jobs. That's why I was looking, initially, Mr. Bodnar, for something on the plus side. I was looking -- you know, we're given the down side, which is true -- but I was looking on the plus side maybe by generating jobs and people getting work that they are paying taxes. And, you know, all those things add up too. But, I think your point is well taken about a hard and fast study about what's going on. Thanks, Mr. Chairman.

ASSEMBLYMAN DiGAETANO: Assemblyman Charles?

ASSEMBLYMAN CHARLES: On the plus side, I feel fairly positive about the results. You-- From what I heard you tell me that we have -- Treasury projects a three to four million dollar loss, or decline in actual dollars as a result of these zone designations. I for one person feel that we can afford to invest three to four million dollars when we're talking on the other side about 8000 jobs as what we presently see. And, you mentioned at the end that the three to four might increase if we move from 500 jobs or whatever -- or 600 jobs -- to a greater number of jobs. By the same token-- I mean companies. But if we moved to more companies, then presumably we're talking about more jobs. So, if the losses go to \$10 million, but we get a million more jobs, or whatever, to me I think from the State policy point of view, with all of the

things that that means in terms of dignity of the persons who are working, and all of that, well, it's well worth the State investing that kind of money.

ASSEMBLYMAN PALAIA: Right. I agree with you.

ASSEMBLYMAN CHARLES: I had just one question, too. Even on this three to four million that we're talking about, that three to four million that you mentioned as a loss of moneys that the State doesn't get, half of that actually exists. It's collected, but it's given back over to the zones which have been designated, which then use that money to do other improvements. Is that correct?

MR. BODNAR: That's right. That three to four million dollars for calendar year 1986, Assemblyman, is the amount that the general treasury will not receive, because it no longer is the beneficiary of the 6% sales tax that would have been imposed on those items that qualify for the reduced rate. So the Urban Enterprise Zone Assistance Fund is, essentially -- when I went over that breakdown by zone municipality -- each of those zones will, in reality, those moneys are being credited to their account in the so-called Urban Enterprise Zone Assistance Fund. So, that will be moneys that will be available to them, the sales taxes that'll be collected at 3%.

So, you're completely accurate.

ASSEMBLYMAN CHARLES: So, if we're talking-- So that we're very plain, we're talking about four million. Then, two million exists somewhere for the use of the Urban Enterprise Zones for capital improvement and other things. Is that correct?

MR. BODNAR: That's correct. Sure. You shouldn't be overlooked, of course, that that three to four million dollar number that I was referring to is the cost associated solely with the 3% reduced rate benefit, and it doesn't pertain to the other benefits, as I mentioned, with respect to the capital improvements.

ASSEMBLYMAN CHARLES: What's your number? What's the number when you include all of the things? I'm not looking for a hard number, because it's hard for you to do.

MR. BODNAR: Well, these are very -- as I say, these are very rough. We did these just so we would have some kind of real crystal ball numbers for the meeting this morning. And, based upon the three to four hundred million dollar projection in new construction, that amounts to about 13 -- I guess \$10 to \$13 million dollars over two to three years. I guess we can say \$5 to \$6 million a year. That's because you have a sales tax exemption with respect to the materials -- building materials -- that would be purchased for that new construction.

ASSEMBLYMAN CHARLES: Now, the jobs that we're talking about -- the 6000 -- does that number include the construction jobs also?

MR. BODNAR: This doesn't include the employee tax credit under the corporation business tax, and that would come out to \$1.8 million. In the aggregate, I should say -- and because these numbers are so rough I am reluctant to distribute them--

ASSEMBLYMAN CHARLES: I appreciate the--

MR. BODNAR: But, they are -- they're really-- It comes out to about \$10.5 to \$12 million. And I'm only using, really, half of the \$10 to \$13 million new construction expenditure. We're not expecting the new construction to be completed within one year. So, that's the -- this is our first attempt to try to look at it from the -- you might say -- impact on the general treasury. We certainly recognize that there are, and would be, benefits from the plus side.

And, again, these numbers are addressed to the level of the Urban Enterprise Zone as it exists now, with 600 companies -- or 650 companies.

ASSEMBLYMAN DiGAETANO: Mr. Bodnar, if I just may interrupt you for a second?

MR. BODNAR: Sure

ASSEMBLYMAN DiGAETANO: With all due respect to your office position, and Mr. Blekicky, I think what, Joe, you're getting at, and what Joe Palaia had just mentioned, is that we are hearing something that might be considered in a sense a worst-case scenario. The one thing that I don't know how you can factor in, but it certainly does play a factor with all these figures that we're hearing on the down side, you just mentioned new construction -- losses from the sales tax on materials for new construction. Joe mentioned new jobs, and Joe Palaia mentioned the reduced cost for unemployment and the social programs. So, clearly, those would be, and should be pluses to the Treasury. When you talk about new construction there certainly is a question to be addressed whether or not all that new construction would exist if these programs weren't implemented. So, therefore, can you say accurately that half the sales tax on all those materials is a net loss to the Treasury? I think not.

Additionally, there is a question of increased sales. There was talk about companies coming in from out of state. Quite possibly those companies might be selling across state lines now. There again, there is a question of is that 50% sales tax reduction, in effect, a net loss? Again, the new jobs and the reduced social program costs with the new employees paying the taxes, etc.

So, I think, again with all due respect, I think we're hearing what might be considered the down side, or the worst-case scenario.

MR. BODNAR: I appreciate what you're saying, Mr. Chairman. If, in reality -- and perhaps this is the feeling for the study -- if these are clearly new projects which would not have existed if it not -- absent the Urban Enterprise Program, but if they would have been some level of economic activity in any case, that's a very difficult thing to gauge.

ASSEMBLYMAN DiGAETANO: Sure.

MR. BODNAR: And that's why I certainly would agree with you, and say if, absent the Urban Enterprise Zone Program these would not have existed, then your statement has a lot of validity to it.

ASSEMBLYMAN DiGAETANO: Joe, do you have anything?

ASSEMBLYMAN CHARLES: No, thank you, Mr. Chairman.

ASSEMBLYMAN DiGAETANO: Just one final question, Mr. Bodnar. You spoke of a more detailed and a more complete study of the program. Is your office going to be undertaking that in the near future?

ASSEMBLYMAN PALAIA: Or do you need to be authorized to do it?

MR. BODNAR: Excuse me?

ASSEMBLYMAN PALAIA: Do you need to be authorized to do something, or can you do it?

MR. BODNAR: We've been meeting with Commerce, and I know the feeling is that they're -- and I believe Commerce has been exploring -- I guess I should let Deputy Commissioner Blekicki address himself to that question -- but there has been a review into getting some independent evaluation of the program, and perhaps a joint study between Commerce and Treasury to look at the entire program, and looking at the pluses and minuses. And I don't mean to suggest that we're just looking at the minuses in Taxation, because, perhaps for the record, we were criticized in the newspapers a few months ago by a legislator saying we were not interested in jobs. We certainly are interested in jobs, and delighted to see the program be very successful.

So, we're just a little concerned from the point of view that the benefits to providing the kinds of benefits -- doing what their goals are supposed to perform.

ASSEMBLYMAN DiGAETANO: Thank you very much. We appreciate you taking the time to come here.

At this time, I'd like to call Harold Smick, Jr. Is Harold Smick here?

B. H A R O L D S M I C K, J R.: Yes, sir. Good morning, Mr. Chairman.

ASSEMBLYMAN DiGAETANO: Good morning.

MR. SMICK: I do appreciate the opportunity to be here today to speak to you briefly about my situation. Perhaps it's a little different picture than what you've been hearing.

My name is B. Harold Smick, Jr. and I am representing Smick Lumber, located on Route 49 just outside of Salem, New Jersey. We are three miles east of Salem, the county seat of Salem County, and we are 15 minutes east of the Delaware Memorial Bridge. I'm a third generation retail lumber dealer, and I'm serving as president of a company founded in 1906 by my grandfather. We currently have 30 employees.

Unfortunately, our company is not in an Urban Enterprise Zone Area, but it is within 13 miles of such an area. Being just 13 miles from Bridgeton, Cumberland County, places our company at a competitive disadvantage. There are two retail lumber yards in the Urban Enterprise Zone area of Bridgeton. In addition to this, there is a second Urban Enterprise Zone area in Cumberland County, which is the Millville/Vineland area, where there are currently five retail lumber yards. And with two Urban Enterprise Zone areas adjacent to our County of Salem, the Act is definitely having a negative impact, not only on our business, but many other businesses in our county.

We have just submitted one of two bids for materials to build a new home to a family that has been doing business with our company for four generations. Our bids total \$19,590. In this bid, we are forced by New Jersey Sales Tax Bureau to charge a 6% sales tax of \$1108.89. The second bid -- and there were only two bids on this house -- on this same home is by one of the two lumber yards in Bridgeton, Cumberland

County. And this Bridgeton lumber dealer is permitted by New Jersey law to now charge only 3% New Jersey sales tax, or \$554.45, providing our lists are priced approximately the same. This is a savings of 50% on the New Jersey sales tax by a lumber dealer just 13 miles from my own business. And I ask, is this fair to all concerned?

I agree, we must do something to assist employment in areas of high unemployment, such as Camden, Newark, Trenton, Elizabeth, Jersey City, Plainfield -- a total of ten Urban Enterprise Zone Areas in New Jersey. Our own Salem County is also suffering unemployment due to closing of many industries, such as H.J. Hines, the Gaynor Glass Factory -- our sole surviving glass company is having its difficulties.

In addition, we are a farming area; the so-called dairy county of New Jersey, which is also suffering from wide-spread farm problems. And in the competitive business we are in, it is difficult and often times impossible for a lumber yard to drop our prices 3% to meet the competition of that reduced 50% reduction in the New Jersey sales tax.

Further, if this new home were being built in the Bridgeton zone area, there is no New Jersey sales tax for taxable materials purchased.

Further, there are already known abuses of the New Jersey Urban Enterprise Zone Act. Some retail dealers are not requiring a purchaser to come into the business place within that zoned area when ordering materials that are taxable. In other words, telephone orders outside the zoned area are being accepted for delivery outside the zoned area, into Salem County. And just 15 miles west of our business is the Delaware Memorial Bridge and the State of Delaware with no sales tax. And on Monday of this week, just yesterday, a building contractor came into our office with seven bids on one job. Our bid totaled \$12,594 including the 6% New Jersey sales tax of \$712.87. We lost the job to a Delaware retail lumber dealer

because the same list of materials would be purchased there without any 6% New Jersey sales tax of approximately \$712.

Our company is annually already losing hundreds of thousands of dollars of lumber sales to Delaware just because there is no sales tax there. Now, we all know we're supposed to come back and make arrangements to send in that amount equal to the 6% New Jersey sales tax.

In addition, our company has been planning for recent years for a new hardware store, lumber store, office complex. A two-story building approximately 12,000 square feet on each floor. And my question today is, should we make that investment in Salem County where we're not getting the benefit of this present law? And I know it's a tremendous help to those people who so badly need it. But I really think that it's unfairly penalizing retail dealers in Salem County, and we have some high unemployment -- not sufficient to meet your needs of being an Urban Zone area, I suppose.

So, I'm here today to seek your help and guidance on what is our future in the parameter edges around these ten zoned areas. And, we do seek your assistance in order to survive. In fact, we request corrections to the inequities against existing small businesses adjacent to the Urban Enterprise Zone areas.

Thank you very much.

ASSEMBLYMAN DiGAETANO: Any questions? (no response)

Thank you, sir.

MR. SMICK: Thank you.

ASSEMBLYMAN DiGAETANO: I call Mr. Neil De Haan.

N E I L D E H A A N: Good morning Mr. Chairman and members of the Committee. My name is Neil De Haan and I'm the Director of Community Development in Elizabeth, New Jersey. I'm appearing here on behalf of our Mayor Thomas G. Dunn, who unfortunately couldn't make it this morning because he's out of state on a meeting outside of the State.

I have prepared a testimony which you have before you, but in the interest of time and to move your proceedings along I refrain from reading the complete text, but just emphasize some of the points that are in it.

First of all, after approximately getting started in January of '86, we have already -- I believe it is -- 12 applications approved for the qualified status which we anticipate will create approximately 200 jobs and an investment of \$5.5 million.

Secondly, we do look forward to some major projects taking place in the Urban Enterprise Zone area which we believe fits in with some of the thinking that's been talked about in New Jersey in terms of the importance of major projects -- large scale projects -- in cities. Such projects are the Joint Development in Midtown Elizabeth right next to the proposed New Jersey Transit station, which is currently under bid by New Jersey Transit. A project which we call Airport City, which is a major project which we hope will take advantage of our location next to Newark Airport. As you well know, one-third of the Airport is in Elizabeth, and I'd just like to add something that's not in the testimony, but we made note of the fact that the Monorail Commission released its report yesterday to the press, and even though Elizabeth wasn't specifically mentioned, we will be working hard to have that monorail access in Elizabeth, which we also believe will benefit our Urban Enterprise Zone in both the Midtown area as well as the area immediately around the Airport.

And, finally, we have what we call our last industrial frontier along the Meadowlands, which is approximately 400 acres sandwiched in between the Airport, Port Elizabeth, and a large residential area, which we believe will be developed for industrial jobs and warehousing jobs over the next 10 years.

Finally, I'd like to say thank you to the Department of Commerce and Economic Development in the State of New

Jersey. They have certainly been very helpful in getting our program started. I've been in City Hall for the past 13 years working on various programs with various federal and State agencies, and the personal attention and assistance that we've gotten from the staff has thoroughly amazed me and certainly pleased us, and we believe it bodes well for both the Urban Enterprise Zone Program in Elizabeth, as well as for the other nine zones in the State.

Finally, I'd like to make three points which we believe the Legislature might be able to address in terms of amendments.

We have found, first of all, that one company that applied for Urban Enterprise Zone qualification was a holding company which was formed in order to take advantage of the local tax abatement under the Fox-Lance Legislation. And the State determination was that this particular holding company wouldn't qualify because this particular company didn't generate the actual jobs. And yet, under the Fox-Lance Legislation, the holding company was necessary in order to take advantage of the local tax abatement, which is 2% of the total construction costs over the next 15 years. So, we see this as a dilemma for that particular company, and we don't think that the Legislature intentionally intended this to happen, but it was just one of those things that happened in implementation of a law. And just to explain this process a little bit more, this company also is the operating company -- which is Christian Distributors -- and they'll actually be creating the new jobs, but having a long-term lease with their land holding company.

And we think that the Legislature, and the Department of Commerce and Economic Development, and the Tax Department should take a look at that.

And also, two other amendments that have been mentioned this morning which we strongly support. First of

all, the extension of the option for the 3% sales tax reduction to the five remaining cities -- and Elizabeth would be one of those five remaining cities -- which is particularly important to us, because we have the geographic situation of being right in between Plainfield and Newark which do have those advantages.

And, secondly, we have been cut with federal funds. Currently, our staff budget has been cut 30% because of what's been happening in Washington. We intend to continue our support -- staff support -- for the Urban Enterprise Zone Program, but we'd be amiss to tell you that, certainly, the \$25,000 grant that's been talked about would certainly be a great help in our staffing for the program. It's not that we're going to shirk our responsibilities or commitments, but, obviously, for a city which is currently wrestling with a tax increase -- local property tax increase -- from 50 to 90 points, any assistance of this type would be greatly appreciated.

And, I stand ready to answer any questions if you would have them.

ASSEMBLYMAN DiGAETANO: Any questions of Neil?

ASSEMBLYMAN CHARLES: No.

ASSEMBLYMAN DiGAETANO: Thank you very much, Neil. Is Robert Sabario from HMDC here? (no response) No? At this time I'd like to call the Reverend Peter Jenkins.

REVEREND PETER JENKINS: Mr. Chairman, I'm grateful to you for the opportunity of addressing you and your Committee, and I do so as a concerned citizen, rather than as one of the experts that you've been hearing before. So, perhaps the pace will change, but I shall try to be brief.

I'm, in fact, wishing to speak, essentially, about the Trenton situation. There's no doubt there will be other aspects of this which you will be able to apply to other areas if you are wishing to consider them.

I'm speaking principally as a minister of religion serving a parish in which the City of Trenton is a substantial part. I'm also director of two New Jersey companies, one which is not for profit, and of a Brooklyn-based clothing manufacturing company, Concord Industries, which has actively considered locations in the State, though it has, in fact, made its first development in Brooklyn.

My purpose is, essentially, to ask questions relating to the implementation of the Urban Enterprise Zone in the Trenton area. As a businessman, I can readily see the advantages of the Zone, which have been detailed already quite adequately, I think. My company could take advantage of tax breaks and reasonable costs, and employ machinists at wages less than we pay in Brooklyn.

As a minister, I'm concerned that the advantages which will help the bottom line of investors, like myself, and companies like my own, are not adequately shared with the citizens of Trenton. And that there is a danger that human conditions will worsen in a way that will limit the effectiveness of the Zone for business as well as for people.

I am familiar with the process of gentrification in Jersey City, where I own property. I see the Zone causing misery for hundreds, or even thousands that are turned out of their homes in the wake of development. People in the poorest parts of Trenton are already in desperately bad conditions -- some of the worst in the State -- and cannot afford any better.

Let me give you an example, Mr. Chairman, of a one-family home in Trenton, in Trenton's East Side, with three bedrooms and an attic, which at the moment contains four families, numbering a total of about 17 persons.

At a time when we need to rebuild homes and put up new low-cost housing, we are, in fact, tearing down the old ones with renewed vigor. The coming of the Zone has quite clearly, in my mind, increased the pace of the demolition of

properties. For example, a storefront with an apartment above, or perhaps two apartments above; not in good condition; it comes down. Two families are out of accommodation. And many people are being made homeless. My church has made a study of homelessness the other side of the river, and we find that one of the greatest problems for the homeless is that they can afford the rent, but they cannot afford the down-payment that must precede the rent. This is often the case.

So, my first question to you and your Committee is, whether the housing units serving the needs of the lower-paid, the unemployed, and the migrant workers, which have been taken down since the plans for the Zone have been announced, or which will be removed as a result of the Zone, will be replaced, and whether there'll be any more?

If we do not face this question, we will turn the ghettos of Trenton into rabbit ones, with desperate people sleeping wherever they can. We need to improve housing, not make it worse.

And there is a factor which we tend to think of. You say, well, can't they just go a little further out? Well, I live just a little further out. And of course, the last year, my property and properties around the area -- around Trenton -- have increased by as much as 50% in one year. It's nonsense to assume that the poor have any choice where they may live.

My second example is the demolition of a dreadful, illegal, rooming house in North Clinton Avenue. It was an awful fire-trap containing 15 poor tenants. It should have been condemned immediately the authorities found out what it was like on the grounds of it being a fire hazard. The City of Trenton could have used condemnation procedures at once, at the resettlement cost of \$500 per occupant. In fact, the City employed lengthy zoning violation procedures which left the tenants at risk while the process was going on over a period of months. And eventually they were evicted without the right to claim any resettlement compensation.

My second question is based on that experience. The experience is not relevant to the actual zone; it is one that I know about. The question is to ask whether the new Zone will allow adequate compensation for those displaced by the destruction of existing properties.

So, the two questions together are whether or not we're going to have the properties back that there were, and two, whether when people are shut out they're going to be able to get back by having adequate compensation.

We all want a better Trenton, but we have to face the reality of the cycles of poverty. Employing city welfare workers part-time will not increase their wealth, they will get the same \$138 a month. And it will take from other people the opportunities of employment they do not have at the moment. This is particularly true of the large number of part-time workers. Employing the poor at minimum wages does not break the cycle of poverty. Worsening housing will bring overcrowding, increasing violence, vandalism, and crime. The City of Trenton is already about the sixth in this nation for the levels of crime, and I suspect that it will not lessen if so, and the poor always suffer from crime more than those who are not poor.

My third question is this: How many permanent jobs will be created for local Trenton people? Will there be adequate training given to local Trenton people to take advantage of the job opportunities? Will there be payment opportunities beyond the poverty level of \$3.35 an hour? I do not believe that, so far, we have had any satisfactory indication that there is much employment. In fact, one is suspecting that at present the schemes that appear to be in the offing do not have many jobs actually attached to them.

As an employer and factory owner, I would not wish to come to Trenton if the causes of the high crime levels of the city were not remedied. I would not expect good employers to

come to Trenton, if it were hiding the dust under its carpet. I would not expect an enterprise zone to flourish unless and until the people living in the zone could share in the prosperity of those investing in the zone.

Mr. Chairman and members of the Committee, I think your task is a difficult one, because it involves these issues. It involves a human element which cannot be quantified by projections or crystal balls, or anything of that sort. And therefore, my final question is this: Do you intend to have a close liaison with those who are chiefly involved with the poor people in the areas of these Enterprise Zones that you are setting up to make sure that their continuing needs are adequately understood by those who administer the zones, and sympathetically addressed by all concerned?

ASSEMBLYMAN DiGAETANO: First, sir, if you would submit those four questions to our legislative aide, I will see to that you get answers in writing to all four of them.

REVEREND JENKINS: Thank you.

ASSEMBLYMAN DiGAETANO: Firstly, with regard to some of the comments that you made, as far as setting up the zones, the local municipality, or in the case of Vineland/Millville, two municipalities, make application to the Authority. It is that municipality and their board that decide what the boundaries of that particular zone should be. In general -- and please, Mr. Bleicki, correct me if I am wrong -- but in general, those boundaries, those designated areas, are predominately commercial and industrial, rather than residential. Correct?

If there have been some displacement of residential properties -- if there has been this displacement of residential properties in Trenton, I don't know if there have been in any other areas -- that is not something that the Urban Enterprise Zone Authority deals with. That is something that the local municipality would deal with. And if, in fact, that

the displacement is a result of the municipalities use of the right of eminent domain, again, that is not an area that the Urban Enterprise Zone Authority can address.

With regard to your question on compensation for those displaced, again, that is an area of responsibility with the local authority -- with the local governing body.

REVEREND JENKINS: I take it though, sir, that the Enterprise Zone Authority can, in fact, make sure that when setting up an enterprise zone into operation with the municipality, that these issues are in fact being addressed by the municipality as a condition of the enterprise zone being established.

ASSEMBLYMAN DiGAETANO: Certainly. As I said, predominately commercial and industrial areas are designated as Urban Enterprise Zones. And again, with the designation of a zone, if in fact, there are some residential properties within that zone, and the Authority does grant them the designation, again, that does not mean that those residential properties need to be removed, or are designated to be removed. They can certainly coexist, as they have.

With regard to one other point you made, though, being involved in local government -- I am the City Council President in the City of Passaic, in addition to being an Assemblyman, sir -- with regard to that particular building that you addressed -- the local governing body attacked it on zoning violations first. I would say to you, I don't know if you've ever been involved in legal proceedings or in a dangerous building hearing, but if you have not addressed the issue of the violations before you undertake the dangerous building hearing, you cannot displace those tenants and demolish that building.

REVEREND JENKINS: I'm grateful to you for that information.

ASSEMBLYMAN DiGAETANO: Thank you, sir.

REVEREND JENKINS: Thank you.

ASSEMBLYMAN DiGAETANO: I appreciate your taking the time to come to speak with us.

At this time I'd like to call Mr. Rafael Zabala.

R A F A E L Z A B A L A: Good morning.

ASSEMBLYMAN DiGAETANO: Good morning, sir.

MR. ZABALA: My name is Rafael Zabala, and as it was stated I have come here to speak on behalf of the City of Newark's Urban Enterprise Zone, be it as I am the Administrator of the Enterprise Zone Program in our city.

You made observation to the fact that probably most of the people that -- or the speakers that have come over here and presented testimony to this Committee, have talked about downsides of the Urban Enterprise Zone Program. While not being terribly optimistic, I would like to stress the fact that perhaps, in my opinion, the Urban Enterprise Zone Program has been one of the most ingenious programs ever prepared and put out to the public by the Legislative body. It is a program that, while not providing for a panacea that resolved the social problems that cities like the city I represent have had as a result of their historical trends, provides for the opportunity to the people that will make a difference in the economic development area which ultimately affect the social environment of the city, providing them with the opportunity to really have a meaningful impact in what those social areas will be as it relates to the by-products of the benefits and the activities that they undertake.

Let me begin by saying that our Enterprise Zone was designated, as Mr. Bleicki has pointed out, in October of 1984. It wasn't approved by our City Council until December the 5th of 1984. Between December the 6th and December 31st of 1984, roughly about 42 companies were certified. Those companies are up, or were already up for recertification. Of those 42 companies, 36 reported having increased their

employment force. They created roughly 250 new jobs. Those jobs, 90% of which, were for city residents.

Reasons: The City of Newark finds itself in a very important position at this point in time. It is, as you know, located in the midst of a hub of transportation and networks. Because of the trends of economic activity coming from the other side -- and you know exactly what I mean -- it first started in Hoboken, then Jersey City, now it's coming to Newark. So, obviously, we are in a position to enjoy some of the spillover effect of economic development activity in the region.

More importantly, however, is the fact that the municipality, as a whole, has undertaken the responsibility of trying to not only improve its image, but to prove to the people, who, as I said before, have a meaningful say in the economic availability of the city, that indeed we are there for business. You have a business; we are there to see that, indeed, you undertake your business activity in our municipality in a business fashion, meaning that you can make a profit off your investment.

The result, obviously, will be that we will be benefitted. And it, at this point, is no longer a question of hopefully we will be benefitted by your activity, but it is a fact. It is happening. And we are reaping the benefits.

I think that these 36 out of 42 who have projected employment creation and have indeed created those employments, testified to the fact that, indeed, a program like the Urban Enterprise Zone Program, if rightfully guided, can be a meaningful program.

Let me continue with the figures. We have, roughly, close to 400 businesses that have been certified in our municipality. Those 400 businesses, at this point, have projected an investment of roughly close to \$200 million within the next three years. Again, we cannot take credit for, or

total credit, for the creation of the investment that they have projected, mainly in equipment, and new construction, or rehabilitation, but the fact that the program is there to provide them with the necessary incentive to reconsider their investment if, indeed, they were thinking of investing elsewhere. It is a credit to the program, and thus allows us to say we are part of this development as a program.

They have also projected, roughly, about the creation of about close to 3500 jobs within the next three years in our municipality. One of the criterion of the Urban Enterprise Zone Program states that you have to provide for employment for indigenous -- that is to say, Newark residents in our concern. For new businesses, there has to be a minimum of 25% of those new employees to be from the municipality. The new amendment to the legislation states that it can be from the municipality or any other Urban Enterprise Zone municipality. We still maintain that the employment created in Newark, by and large, is going to be from our municipality, for various reasons:

A: We have a very substantial training and employment program, spearheaded by the Mayor's Office of Employment and Training and the Private Industry Council, to the extent that this last year our Private Industry Council was awarded a \$734,000 grant from the State because it has exceeded all of the training and employment standards under the Job and Training Partnership Act. This point is being obviously spearheaded into employment creation and training.

Secondly, there is a very very strong connection between the Private Industry Council and the Mayor's Office of Employment and Training, and offices like the Newark Economic Development corporation, in providing and making available, which is, indeed as I said, the most important element in this whole program. Making available that information about how a businessman can maximize his investment in a given area. Making available that information that would indeed, make that transition possible.

I was just reading this morning in The New York Times an article, which is on page one, which talks about a new redefining of the concentric zone of urban and suburban growth in the New York metropolitan region. It has expanded that concentric zone to about a radius of about 60 to 70 miles from the New York metropolitan area. Our municipality -- and specifically I would like to speak about Newark -- we have suffered from the loss of jobs and businesses to the suburbs. And I'm talking about immediate suburbs, as opposed to the middle east and so forth. So, our struggle is to see to it that indeed we attract businesses and that we retain the businesses that we have, because we realize that if those businesses leave our city, we will be left as we were several years ago, with a city that was nearly bankrupt. Okay?

So, while the Enterprise Zone on the one hand might be discriminatory to those cities that have enjoyed the benefit of our business moving to their areas, we greatly thank the legislators that designated ours as one of the Enterprise Zones, because it has given us the opportunity to utilize an economic development tool very unique in its way. Because, it provides for the opportunity to be utilized as a marketing tool that would then allow us, specifically the Newark Economic Development Corporation and the City of Newark, to provide to businesses within and outside the city with those benefits that we have and that we think may cause a very marketable and good place of doing business. We believe that we are in the process of changing the real estate notion of location, location, and location, into location, a good place of doing business, and a good workmanship that you can rely on.

And we're doing that in a very aggressive way. We're doing that by sitting with the business in the table of discussion and talking about the things that we, as a municipality, and specifically the Newark Economic Development Corporation, have to offer to you if you indeed decide to do business in our city.

We are doing that, and also quantifying some of the benefits of the Enterprise Zone can provide to a business. Indeed, we have various projects which are, if you may, speculative in nature, but none the less our projects are being undertaken by the businesses that will be occupying those areas.

Because of the fact that they have had to form another corporation for the purpose of undertaking the real estate, or the purchasing of equipments, some of those companies are not enjoying those benefits.

We believe that there is a need for an amendment to go to legislation that would allow for either our urban renewal entities, which as you know are formed for the purpose of being a holding corporation as opposed to being a direct employing created corporation to be cost satisfying in conjunction with the existing, or the would-be existing company in the Enterprise Zone, so that they can take advantage of the -- especially the 6% sales tax, and the breaks on construction, and so forth.

When Treasury talks about loss -- and I'm glad that Mr. Charles made mention -- they talk about loss; we don't see it as a loss. We see it as a plus. It is a benefit. Because what that means is that there are businesses out there that are taking advantage of the program and the benefits derived from the program. To our municipality, it is a blessing, because it provides us with the opportunity to capitalize on that investment, and see to it that indeed it doesn't just bypass the City of Newark and keep going to Moorestown and some other areas. But that, indeed, it remains in the area where the employment is coming from. And I think that one of the problems that the suburbs are experiencing right now is that they have this tremendous boom of manufacturing and/or office development, and yet they don't have the employment force that can provide some of the essential services that these office facilities will need. They can obviously attract the

well-trained, well-qualified, skilled, and somewhat intellectual employment force, but they cannot bring to their centers of employment the people that would provide the necessary, if you may -- if you may -- cosmetic services that will allow them to go around saying that they have a good, beautiful office facility which they can then talk about.

We are doing it in Newark. And we are doing it basically with a very strong confidence in the fact that if we are given the opportunity to provide people with the opportunity of taking advantage of this program, which indeed is proved to be within a year or so of it's formation. It's proven to be a very effective program.

We can make a difference. We have not come over here to say you have to continue a discriminatory trend against the suburbs. No. We are saying that, since the market force is not as it was supposed to be, there has to be some remedies or some ways in which we can provide municipalities like ours with the opportunity to compete against the suburbs in a more effective way.

If you look at the tax rate in our municipality, you see that our tax rate, which has been coming down from about 58% about a year ago, to 11.93 to 100, it's still extremely high in comparison with a municipality such as -- and it is considered bad -- New Brunswick, where the assessed evaluation to \$100 is \$4.50. And I'm talking about New Brunswick, which is also considered a municipality with a lot of problems. Let alone the fact that if you compare it with a municipality like Moorestown, or something to that extent, you would definitely put us in a very strong disadvantage.

So, even when you provide businesses with the opportunity to take advantage of the Urban Enterprise Zone Program, it does not upset the high cost of doing business in our municipality. That's why there is a need for the program to exist, to remain, and certain legislative amendments to be

undertaken. So that the particular programs begin to make a meaningful impact so that we can no longer say that we have attracted "x" number of companies from outside the Enterprise Zone or else out of the State who would have moved to our area anyway because it was a good business sense, but we could say that, indeed, the benefits derived from the Enterprise Zone Program are such that it would make a difference in their business decision.

I have had the pleasure of dealing with about 50 new companies in our Enterprise Zone, many of which have located in there since around the middle of 1985 up to the present. One of those companies, which I am not going to make mention of the name, opened up their operations -- a retail operation -- opened up the store with 96 new employees. They could very well have located in one of the surrounding suburban malls. It's a good operation, coming out of New York; a national chain. But, they decided to do it in Newark. When I questioned them as to why Newark -- even though we feel that we are turning the corner, if you look around you will see a tremendous line of smoke behind us; we are running fast -- but that because of the nature of their operation, perhaps we thought -- and maybe we were wrong -- that they would have been more profitable going someplace else. They said, well, one of the advantages is the fact that we are a very employment intensive kind of operation. We generate a lot of employment. The second reason was because the nature of their product -- what they sell, the kind of clothing that they sell -- goes more to a clientele which is not a quote, unquote, high-class clientele. Thus, having the need to locate in a municipality like the City of Newark, which has a lot of potential for success and growth, and indeed is showing it.

And that the third one, which is perhaps more important than the other ones, was the fact that they saw the opportunity to recapture some of their investment, even before

they have begun their operation. Which points out to the fact that the Enterprise Zone, if well-guided, if certain amendments are incorporated that would allow for us to actually sit down at the table of negotiations with developers and so forth, and negotiate in good faith what the benefits would be derived for the municipality, hence the State.

I think that we can do the job. But, it has to remain what it is. I am not a suburbanized person; I don't work for a suburban municipality. The people that I serve and that some way or another are benefitted by the impact of this program are not people from the suburbs. As a matter of fact, many of them have never been to the suburbs, even though the suburb is right next door.

So, there is a need for those people to be provided with the opportunity to have employment within their municipalities, so that they don't have to be displaced going someplace else to look for employment. And as I said before, there will be a need for strengthening this legislation as it remains or relates to amendments that will provide for more businesses or more ranges of businesses to be certified and to enjoy those benefits, so that we can then have a more meaningful and effective program. Even though, as I said, it's been perhaps one of the most ingenious legislation hence programs that the State has ever come up with. Even the application of (inaudible) is so simple that you can deal with the businessperson on a one-to-one basis, and get an application once they've gotten it filled out within ten minutes. It's a very simple applicational process.

Thank you. If you have any questions, I'll--

ASSEMBLYMAN DiGAETANO: Any questions of Mr. Zabala? (negative responses) Thank you very much sir, I appreciate you taking the time.

I'd like to call Mr. Adam Brumbaugh.

A D A M B R U M B A U G H: I'd like to thank you, Mr. Chairman. My name is Adam Brumbaugh, and I'm representing the City of Bridgeton. I'm substituting for Mayor Rinear, who is unable to be here today.

In the interest of time, I'd like to take a moment and read the initial part of my text, and then touch on one main matter of interest of the City of Bridgeton.

April 22nd marked the first anniversary of the Bridgeton Urban Enterprise Zone Program. The past year has seen 106 Bridgeton businesses designated as qualified program participants. These 106 businesses represent 32% of the approximately 325 businesses located within the city's Enterprise Zone boundaries. During the first year of the program, nearly 1/3 of all eligible businesses are qualified participants in the Bridgeton Urban Enterprise Zone.

The employment and investment commitments by these participating businesses have been a welcome surprise. The city had set a program goal of creating 1000 new jobs within five years. Within the next two years, these 106 qualified businesses will create 935 new full-time and 140 part-time jobs. Not only will new jobs be created, but some 1072 existing jobs will be retained by these same businesses.

By April of 1987 it is projected that 2077 people will be working within the Bridgeton Urban Enterprise Zone, compared to 1244 workers in the Zone area in 1980. The 833 employee increase in the Zone area between 1980 and '87 represents about a 40% increase in employment.

Business investment figures have been equally surprising. In the next two years, over \$17 million will be invested by Bridgeton's 106 qualified. Included in this total is the \$3.1 million construction of the Tech Floor Tile Manufacturing Facility, which represents the first new industrial construction in the city in over a decade.

Of Bridgeton's 106 qualified businesses, 64 are also qualified to collect reduced sales tax on sales of tangible personal property. Such sales, and the corresponding tax collections are resultant in deposit of over \$42,000 into the city's Zone Assistance Fund for future use in zone development projects. And I understand from Mr. Bodnar's testimony that that figure is now near \$70,000 that is directed into that fund.

By the above accounts, Bridgeton has had a very successful first year in the Urban Enterprise Zone Program. Interest and participation in the program. Interest and participation in the program are on the rise; retail sales are up. While the Enterprise Zone cannot take complete credit for all these developments, it's safe to say that the program has impacted them. As I see it, the Enterprise Zone Program has served as an impetus to economic recovery in Bridgeton.

And, if I may, I'd like to take a moment and expound upon an interest that the city does have. At the February meeting of the State Zone Authority, Bridgeton made a proposal that the State provide a one-time grant of \$25,000 to all cities having enterprise zones to help defray the administrative and marketing start-up costs of the program. This grant, which would be matched by enterprise zone municipalities is necessary given the prevailing economic situations of the zone municipalities and recent aide reductions.

Such a grant would enable zoned cities to immediately implement an appropriate administrative apparatus for the program, and to market the program to firms both inside and outside the zone. A number of other enterprise zone municipalities, including Trenton, Orange, and Elizabeth, have written letters to the Zone Authority in support of such a grant. We request that the legislature consider making such grants, which would amount to about \$250,00 from the general fund. Thank you.

ASSEMBLYMAN DiGAETANO: Thank you very much. Are there any questions of Mr. Brumbaugh? (no response) Thank you, sir.

I'd like to call Miss Suzanne Paquin. (witness is not present) In that case, I'd like to call Mary Cowhey.

M A R Y C O W H E Y: Hello. My name is Mary Cowhey. I'm the operations manager of Eastern Service Workers Association, which is a mutual benefit association of unrecognized workers that began organizing in Mercer County in 1976. Our membership of 5000 represents domestic workers, agency contracted janitorial workers who earn an average of \$90 a week, farm workers who earn an average of \$10 to \$20 a day when there is work, part time and temporary workers in the small unorganized shops and factories in Trenton, car washers who earn an average of \$40 a week during the winter months, and workfare workers who receive \$138 per month, and other low paid workers and workers on fixed incomes.

Our membership is countywide, but the largest number of our members live in the North Ward and in the designated Enterprise Zone areas.

There's been a great deal of controversy locally regarding the imminent siting of a trash incinerator in one of two sites which are both located in the Enterprise Zone. The controversy over the trash incinerator is being used to cover the real question, and that is the economic plan for the county. Whether they build the incinerator at the freight yards or the crane site, the real politic is that they could build it and run it more cheaply, with lower building costs and lower labor costs if they put it right there in the Enterprise Zone, even though it is a residential area.

Right now labor in New Jersey is under attack from the U. S. Supreme Court upholding the right of the Casino Control Commission to deny workers in Atlantic City their right to democratically elect their own leaders, to the President's

Commission on Organized Crime declaring open season on some of the most prominent labor organizations in the country. There are striking similarities between economic and social control the Casino Control Commission exercises in the lives and work of Atlantic City Residents and the economic and social control exercised over the residents of the Enterprise Zones.

As has been mentioned in some of the earlier testimony, the things that qualify areas to be zoned include the higher unemployment rate and the higher rate of people living below the poverty level, and the people -- a large number of people; over 20% of the population -- being on public assistance. Well, there's been some discussion of whether or not residential areas are included in the Enterprise Zones. Yes, residential areas are included there, because there are these workers who are living below the poverty line and on welfare. So, yes, there are people who live in the Enterprise Zones. And we represent thousands of those workers.

What's also been discussed here today is how much the rebates, in terms of taxes and the breaks in the tax sales will cost the general treasury over the next number of years, and what's been discussed is just how long it will take the low-paid workers to make that up with their taxes. So that, we see that the Enterprise Zone is coming at the direct expense of low-paid workers in those communities. The number of jobs that have supposedly been allowed, which still has not been proven or documented or really regulated, those jobs have predominately been low-paid jobs. None of those jobs have been union jobs or higher-paid jobs that we know of were the majority of those jobs.

We refuse to stand idley by or be confused in the face of the massive promotion campaigns by the city, State, and county, as they force an entire strati into permanent underclass status.

We attack this Urban Enterprise Zone as being yet another economic experiment at the expense of our membership in the hope of developing a citizen-supported tax base which the lack of which imperils cities across the country. The Urban Enterprise Zones are constructed as a device with their so-called tax abatements for certain periods. I'll tell you right now, those devices won't work. They haven't worked anywhere. Although those who developed the program speak of it in glowing terms, as we've heard here today, they don't live in the Enterprise Zones.

Those of us who live within their shadow know that the ax is about to fall, and that the Enterprise Zones, in and of themselves are bound to fail, and we refuse to be the subject of this experiment. ESWA provides a ten point benefit program which is supervised by a workers benefits council and is run entirely on a community supported volunteer staffed basis. This last winter, our winter survival campaign saved more than six lives of people who would otherwise have died at the hands of the economic policies of this State. In the last year alone, during the winters of '85 and '86, just on one block of North Clinton Avenue in the Enterprise Zone, where our central office is located, three buildings were demolished and ten were condemned and boarded, removing 30 housing units in one year, forcing even more low-income families and workers into overcrowded, often three or four families in single family homes, and otherwise illegal housing, like unlicensed rooming houses or people being forced to squat in abandoned buildings.

Our benefit program has consistently been providing food, clothing, blankets, heaters, free legal advice, comprehensive medical care, job referral, housing advocacy, and information assistance. Now, more than ever, this all volunteer benefit program has been carrying the weight and meeting the needs of thousands upon thousands of low-income workers who are victimized by never ending economic experiments.

We ask every citizen and taxpayer, and every individual here today to support our effort, and we need you to participate.

ESWA has a winning way, and all that is needed is people dedicated to economic betterment willing to dedicate themselves to the fight for the futures of unrecognized workers. Our position is that the Urban Enterprise Zones equal slavery. We've seen it before in the workfare programs, and we see it coming now, and we demand abolition now. Thank you.

ASSEMBLYMAN DiGAETANO: Ms. Paquin--

MS. COWHEY: My name is Mary Cowhey.

ASSEMBLYMAN DiGAETANO: I'm sorry, Cowhey. I was looking at a different name. Urban Enterprise Zone legislation, although enacted prior to my becoming an Assemblyman, was specifically designed, firstly to aid urban municipalities that had suffered decline in their commercial/industrial areas, and therefore jobs, but additionally to create jobs within those areas. If you heard the testimony earlier, one of the criteria is that 25% of the jobs created must come from unemployed within that designated zone. If we extrapolate from that, I don't see how you can make the statement that the Urban Enterprise Zones are effected at the expense of the low-paid workers. Because, in fact, what this legislation is designed to do, and from the testimony we have heard today, does, is create jobs in the areas where there are so many unemployed. And the last comment you made with regard to Urban Enterprise Zones being or signifying or being indicative of slavery -- I don't know how you can draw that conclusion.

MS. COWHEY: In terms of the jobs that have been created, the jobs that are being created are low-paid jobs. People can't live on minimum wage of \$3.35 an hour. The examples of some of the weekly salaries that I mentioned in my opening remarks are the kinds of money that people are making

right now. Minimum wage workers who work in car washes in the wintertime are earning \$40 a week. Farm workers are earning \$10 a day. Workers who work through janitorial agencies are making \$90 a week. These are not living wages. These are the kinds of jobs that people have, and these are the kinds of jobs that are being generated. These kinds of jobs are not an answer to the economic problems in our communities. And, coupled with the workfare programs that President Reagan promo'd out in California which have now been instituted nationwide, these programs signal an increasing use of essentially workers who have no choice but to be placed in whatever job they are placed in, and have no options. And that is the situation that an increasing number of workers are facing. This is not a viable alternative to the economic problems that people face.

ASSEMBLYMAN DiGAETANO: Ms. Cowhey, the Urban Enterprise Zone designation can not, does not, and will not create any job that pays anyone \$10, \$20, or \$80 per week. Now, I will grant you that many of the jobs that are created may be \$3.35 per hour, but based on a 40 hour work week, that is not \$10, \$20, or \$90 per week. This legislation cannot create jobs, as you say, to make \$10, \$20, or \$90 per week. Cannot.

MS. COWHEY: There's been talk of 14,000 part-time jobs that have been created. Part-time jobs at \$3.35 an hour earn \$40 a week, or \$90 a week.

ASSEMBLYMAN DiGAETANO: You could take a part-time job at \$10 an hour that's only four hours, and make \$40 per week. We're talking about jobs created; we're talking about additional jobs created. We're in an area where those jobs don't exist now. How you can say that's slavery I have no idea. I mean, there are \$3.35 per hour jobs that have absolutely no bearing on an Urban Enterprise Zone, and there are jobs in many many other areas throughout the State of New

Jersey and throughout the United States at \$3.35 per hour that does not have any bearing on the Urban Enterprise Zone designation whatsoever.

MS. COWHEY: Are you familiar with the workfare program?

ASSEMBLYMAN DiGAETANO: No. I've heard of it, but I'm not very familiar with it.

MS. COWHEY: Okay, there are several close parallels between the workfare program and the Urban Enterprise Zone. What's been being talked about here today is taking people, quote, off the welfare rolls, and placing them in these jobs. The workfare programs -- an example of a workfare worker in Trenton, one of our member in 1972 was employed full-time for the city of Trenton as a union member working for the city on the garbage trucks full-time. He was making over \$600 a month in 1972. For 10 of the last 16 years he has still been working, and is currently working for the City of Trenton Department of Sanitation. He is now doing the same exact job as a, quote, helper on a garbage truck. He's been doing the same job so long that he's gone deaf in one ear from the sound of the engine -- riding next to it on the truck. He's doing that job for \$138 a month. Back in 1972, he was living with his wife and family in a house, and earning a living wage. He's now earning \$138 a month, and living in a garage.

ASSEMBLYMAN DiGAETANO: That may very well be, but what has that to do with the Urban Enterprise Zone Act?

MS. COWHEY: Because this is the tendency that is being put forth and what's being promoted in the Urban Enterprise Zone is the creation of jobs with the premise being that the low-paid workers who take these jobs will pick up the slack that is created by the benefits that are created for business. And the benefits that are being extended to business are being extended on the basis of the devastation that already exists in those areas. So, those benefits that are being

extended to businesses are coming at the direct expense of the low-paid workers in those areas.

ASSEMBLYMAN PALAIA: I don't know that I follow that reasoning, but that's all right.

ASSEMBLYMAN DiGAETANO: Neither-- Thank you very much, Ms. Cowhey.

MS. COWHEY: Thank you.

ASSEMBLYMAN DiGAETANO: Are you Suzanne Paquin?

S U Z A N N E A Q U I N: Yes, sir.

ASSEMBLYMAN DiGAETANO: Okay. Would you like to testify now, please?

MS. PAQUIN: Does this mike work?

ASSEMBLYMAN DiGAETANO: They both work.

MS. PAQUIN: My name is Suzanne Paquin, and I'm here representing the Temporary Workers Organizing Committee. The Temporary Workers Organizing Committee grew out of the Temporary Workers Advisory Committee, which was the result of a series of battles undertaken by temporary workers here in the State, as part of the largest workforce in the country. Temporary workers are increasingly used to undercut union labor and union scale by replacing union workers with those who will do the same work for less. Temporary agencies, essentially, operate as middle-men, and there are absolutely no laws in New Jersey regulating how much the agency can take as a fee. Temporary workers are specifically not covered by the National Labor Relations Act, and as workers are eligible to receive no benefits mandated for organized workers.

The State of New Jersey exposed its inability to regulate temporary agencies in this State in 1979, when members of the Temporary Workers Advisory Committee were solicited for a meeting with the Deputy Attorney General of New Jersey after picket lines and meetings here at the State Capitol protested a black list in use throughout the agencies in the State. At that meeting our right to organize temporary workers into a

formation of their own economic self-betterment was sanctioned by the Deputy Attorney General. And since that time, the numbers of temporary workers across the United States have increased. Conservative estimates are 9 million temporary agency workers are located between Boston and Baltimore. Now, our efforts have been continually harassed by arson, terroristic threats, arrest, and so forth. When there is no temporary agency work to be found, welfare is our alternative. Even the use of temporary workers over the past decade in the United States has not succeeded in shoring up the economic devastation unparalleled since the Great Depression. Those who cannot afford to hire temporary workers cannot afford to hire anyone at all.

Now, the Urban Enterprise Zone was created to force one step lower on the economic ladder, in conjunction with programs of economic urban removal that now render it impossible for those working at minimum wages to have a place to live. For example, the percentage of workers in its workforce has literally driven those workers out, after reducing them to temporary worker status, through patterned, consistent elimination of low income housing.

Gentlemen, I come from New Brunswick, where the author of the Enterprise Zone Bill originates -- Mayor John Lynch. And the concept of the private sector cooperating with the public sector did not originate with the Enterprise Zones. I think we're all aware that John Lynch is a pioneer, and we have at least 10 years of experience with the jobs and the housing patterns that accompany the type of economic incentives to business, and the alliance of government and the private sector that the Urban Enterprise Zone Act represents for New Jersey.

Clearly, the Enterprise Zones are there to provide us with the preplanned answer to the question, "and where shall we go?". Moneys have already been provided for housing in annexed areas. We are told there will be jobs for us there, and

possibly even a place for us to live. To work for minimum wage or less under the stigma of being "zoned" people, and being entirely dependent on the interior, specialized economic life of the zone for our various survival. We call that slavery, and as the only organizing committee of bona fide intent since the industrial '30's, under sanction of the Attorney General of this State, we call for an end to the Enterprise Zone program. We call upon the citizens of this State, and each of you as individuals, to participate in a program that will bring parity pay to workers around the State. Equal pay for the work we do. Thank you.

ASSEMBLYMAN DiGAETANO: Thank you. Any questions? (negative responses) Thank you. I'd like to call Freda Smith. F R E D A S M I T H: My name is Freda Smith, and I am the President of our Workers Benefit Council of Mercer County, and founder of the Vivian Cooper Community Service Center. Now, I'm here to represent our members who live in communities where these Enterprise Zones are, which are being turned into zones of slavery. Now, this is forcing a whole layer of our city workforce into permanent second class citizens. Already workers are getting shuffled down into lower paid jobs. One of our members has worked for almost 10 of the last 16 years in the sanitation department. He was earning a certain amount of money each week as a full-time union worker for the city. He now receives \$138 a month through workfare doing the same exact job part-time. He rented a house with his wife and children, and now he currently rents a room in a garage, which is all he can afford.

Now, President Reagan started workfare when he was Governor of California, and it spread nationwide. Right now 25 states in the country have Enterprise Zones, and Reagan is pushing for the passage of the Federal Enterprise Zone Act.

Now, they say that the Urban Enterprise Zone is good business for everyone. For employers, for the city, for the

State. But, let me tell you, it's not good business for New Jersey labor. It's not good business for New Jersey working poor. We want an end to Urban Enterprise Zones. They are an attack on our low income workers and must stop. Thank you.

ASSEMBLYMAN DiGAETANO: Any questions?

ASSEMBLYMAN PALAIA: No.

ASSEMBLYMAN DiGAETANO: Thank you, ma'am. Olga Crawford?

O L G A C R A W F O R D: Good afternoon. I'm Olga Crawford. I am Chairman of the Committee on Health and Safety. I've been in domestic work and temporary work and am disabled now. Because of the laws business gets the benefits of the Enterprise Zone because of the suffering poor people have to go through. People on welfare are looking for jobs all day long, and week, and months. The money we get on a month, people can't live on it. When they pay their rent, there's nothing left. Many people have to work part-time for a monthly check of \$138 a month is all we get. Some people have no money left to eat on. It is because we have all the financial hardships and sufferings that they make us a zone. All we got is ISS-- More houses torn down, more rates, more minimum wages, and workfare. Just jobs that a family can't live on, and nothing can a single person-- This looks like modern time slavery to me. With these low pay and no pay jobs, we can't do. We've got to take a stand to get together and say no to slavery, which means, I say no to Enterprise.

ASSEMBLYMAN DiGAETANO: Any questions. (negative responses) Thank you very much, ma'am. Tom McGough?

T H O M A S E. M c G O U G H: Well, gentlemen and ladies, it is a pleasure being here today. I appreciate you calling me. For the record I'll identify myself. My name is Tom McGough. I handle the City of Trenton's Urban Enterprise Zone, which seems to have been the highlight of discussion here in our last few minutes.

I did want to go through some background materials on the city; I'm going to make this quick, because most of the points have been made by my distinguished colleague from Newark, Mr. Zabala, and by Commissioner Bleicki. But I did want to kind of get back on the focus of some potential amendments coming up, and in particular, the City of Trenton's experience with this highly innovative and fairly successful program.

In the beginning, which was about a year ago, the City of Trenton submitted an application January 1st -- actually September 10th of '84. It was a competitive application. We were up against seven cities, including Elizabeth and Newark -- excuse me, Elizabeth and Jersey City, and some others -- and out of that competitive process we identified in our application that we had formed a Zone Corporation, that we had private sector -- a private/public partnership. Art Campbell, who's Senior Vice President of the National State Bank, is the Chairperson of our zone, and most of the 24 trustees are private sector employers in and about the city area. And, we had identified a lot of urban resources to improve the infrastructure of the zone to focus on employing unemployed people; residents of the entire city, not just the zone. We identified a variety of different distress criteria, which, not to bore you, but since that seems to have been not discussed here before, I did want to point out that distress criteria was a large portion of the competitive nature of the applications. I handled the city's 1980 census, way back when, when the U. S. Bureau of Census was counting the people in Trenton. The results didn't come out until '82, and some of the results coming out were rather shocking, none the least of which, in late March of 1980, or April 1st of 1980, a full 24 - 32% of the cities residents of 92,124 lived on welfare, or were dependent on someone who either supplemented their income and/or lived fully on welfare. We had a high-- We've lost --

excuse me, I was going to say drop-out rate -- a high loss in manufacturing jobs between September '73 to September of '83 we lost 52% of the manufacturing in the city. So we outlined all these distress criteria. The Zone Authority examined the different applications and gave Bridgeton and Trenton the nod, and then by June of last year, by special legislation, Plainfield got it. Prior to this, Newark and Camden had been appointed by law.

So, we're roughly a year old. I did want to go over our participation to date. Participation of 64 companies, 45% of which are manufacturers, six companies are new to this zone, just in this past year, 10% are service firms, 8% are retail firms, 7% are construction, 5% are wholesale/retail, 2% is financial. There's a real breakdown there. The total jobs -- the net new jobs -- that's the other thing I wanted to stress is the State as it's own authority holds these companies -- these 63 companies that have signed up -- at the level when they applied. Okay? If Wenczel Tile says on May 20, 1985 I'm going to apply for Urban Enterprise Zone benefits, and I have 220 employees at that level, they're held there. And if they say they're going to create 20 jobs over the next two years, that's why it's net new jobs. Okay? So, I did want to bring that point out.

There are, as a little underused experience -- this is the March 31st report -- as 11 months of experience, we have 782 net new jobs involving \$95.3 million of investment in the Zone. A lot of this has happened, since we're one year down the line. More of it -- most of it will happen during the next 12 months. In terms of recertification, we started that process. The State Department of Commerce has mailed out to about six of our -- the first six zone applicants that had signed up a year ago. Two of the certifications aren't due -- the first two are due until May 20, but they're already in. And Wenczel Tile and Trenton Savings Fund in particular have either met or exceeded

their goals. I have a day-to-day relationship with most of the businesses on this list, and I can tell you that they're doing their best to meet their commitments outlined in the zone application. We expect very little fallout or noncommitment.

So, in any case, I did want to point out on the nature of the jobs created, they involve 782 different types of job, many of which are professional, administrative, clerical, factory, regular manufacturing, equipment operators. There's a variety of jobs. In particular, I'll give you one example: The Trenton Convalescent Center applied June 14, was approved by the State Zone Authority on June 26, '85. Basically, they're developing right now the old Atlantic Mills Department store on Jersey Street, which is in a part of Trenton which is basically empty factory areas. The point of the legislation was to recycle these factories, and that is indeed what's happening in Trenton. They're creating, they estimated here, 123 jobs -- in fact, it's closer to 160 jobs -- by investing \$5 million dollars in that plant. It's a convalescent center, so it's totally regulated by the State, so for every 100 -- they're going to start with 180 beds -- for every bed they have in the convalescent center they have to have proportionately so many doctors, nurses, directors of nurses, radiological techs, so on, so on, office, clerical, all the way down to maintenance.

So, point in fact, our experience with the Zone program, to date, has been very positive. It has created a variety of positions. And I did want to point out that the public/private partnership that we have, the private sector members that are involved are very concerned over these businesses following through, in particular going after unemployed Trentonians. We've been in touch with the Private Industry Council. My background is, right after I handled the '82 census program, I handled the city's on-the-job training program. I have over 120 placements of unemployed Trentonians to my name, so far. I expect to get a few more through this

program. And, we've made arrangements to make sure that with 34 Human Service Deliverers, Mercer Street Friends, the Private Industry Council, the State Employment Service, we had a big meeting in November -- we are aggressively seeking to market these jobs through them to make sure that Mercer County -- all our handicapped -- make sure they know that these job opportunities are available, and use them to place their clients.

I did want to point out something that has not been mentioned at all, except briefly by one person who testified earlier, and that there is a multiplier effect connected with these jobs. For every unemployed Trentonian, and it is the nature of the tax incentives; you maximize your tax benefits -- instead of getting a \$500 corporate tax benefit you get a \$1500 if you hire an unemployed Trentonian. Okay, so if you do hire an unemployed Trentonian 90 days unemployed -- that means the person lives in Trenton, obviously; that's self-explanatory -- even if the job is minimum wage, which a great deal of these jobs are not, even if a job is minimum wage that involves a salary between \$8000 to \$9000 a year, throw in fringe benefits, and you're talking between nine and ten, and if you multiply 782 jobs by \$10 million, the maximum benefit would be \$7.82 million within the next 12 months, since we're one year down the line, and these businesses have signed up. So, we have one year to go -- excuse me, 20 years to go. But, one year for these businesses to follow through on what they said they were going to do.

So, the point is there are other multipliers. There's a multiplier that for every one job in a particular area within a 20 mile radius 1.6 jobs are created. The point is that the program is very positive. Our experience with it has been, quite frankly, overwhelming. We're very pleased.

And, I did want to get back to one point, in that there was discussion earlier on the 3% rule -- that's the one

that allows businesses to sell their consumer goods 3 cents sales tax on the dollar. Our experience with that is that with the 10 companies that do have it in Trenton -- the 11 companies that have it in Trenton -- is that it has increased sales volume over the same time period a year ago. We would like to sign up more, and in particular I do want to point the Committee's attention to needed legislation to sign up more businesses. We want to sign up everybody on the Trenton Commons and in the commercial area. And our zone is 60% industrial, 22% commercial, and 18% residential. We do want to sign up as many of the 400 small businesses -- mom and pops -- as possible. A great many of them cannot sign up for the zone benefits because they cannot hire one more person for reasons of space; they have a shotgun operation, they can't put one more person in there, or they don't have the financial resources, so the State Zone Authority and the Department of Commerce, and the City of Trenton, and the City of Bridgeton, and a variety of other cities are very interested in legislation -- the City of Newark -- legislation going through. In particular, it's Assemblyman Azzolina's bill -- 1694 -- being passed fairly soon, that will allow businesses to invest \$5000 or more in fixing their business up, and/or in fixing up the zone -- the zone's infrastructure.

And one final point. We've received very few complaints from our suburban neighbors. The city reiterates its position that the nature of the State's Urban Enterprise Zone Law is the focus on the distressed areas on North Broad Street, Mulberry, Enterprise Avenue, North Clinton Avenue, the areas where businesses have hung in there for years and years, where they are hurting. The focus of the bottom line of the legislation is to create jobs, and our experience is that it is helping in the hurting areas of Trenton, and it is helping to employ unemployed Trentonians.

I do want to invite any questions to be submitted to me, in particular the Reverend Jenkins' questions. We would love to answer them. Okay? And I invite any questions right now.

ASSEMBLYMAN DiGAETANO: Any questions from the members? No?

MR. McGOUGH: Thank you.

ASSEMBLYMAN DiGAETANO: Thank you very much. That concludes our list of witnesses. I would like to thank all of you who came here today to present testimony to this Committee. I would also like to thank those of you who came here today simply to listen. And I hope for all of you, this has been as informative a day as it has been for us. Thank you very much. Good day.

(HEARING CONCLUDED)

APPENDIX

PRESENTATION

BY

NEIL DE HAAN, DIRECTOR

DEPARTMENT OF COMMUNITY DEVELOPMENT

CITY OF ELIZABETH

(Tuesday, April 29, 1986)

TESTIMONY TO THE ASSEMBLY URBAN POLICY
AND WATERFRONT DEVELOPMENT
COMMITTEE

SUBJECT: URBAN ENTERPRISE ZONE
IMPLEMENTATION

TESTIMONY TO ASSEMBLY URBAN POLICY
AND WATERFRONT DEVELOPMENT
COMMITTEE

Thank you for this opportunity to address the Assembly Urban Policy and Waterfront Development Committee regarding the Elizabeth Urban Enterprise Zone Program.

The City of Elizabeth was pleased to be selected by the Urban Enterprise Zone Authority as one of the ten urban centers to receive Urban Enterprise Zone designation. We believe that the economic revitalization already well underway in our community make Elizabeth a particularly receptive environment for utilization of the program benefits.

Our Elizabeth economic development team is made up of City staff and officials, the Elizabeth Development Company, which is a non-profit local development corporation, and several working committees representing the public and private sectors who focus on specific needs of business and industry in the City. Incorporating the advantages offered by Urban Enterprise Zone status into our economic development strategy will enable us to further encourage the growth of existing firms, as well as to attract new businesses.

We are well into our outreach to local businesses within the Zone boundaries. Approval of twelve applications for qualified business status already promises creation of close to 200 jobs in the next two years, representing a capital investment totaling approximately \$5½ million.

In drawing the Urban Enterprise Zone boundaries, we took into consideration areas that are ripe for significant economic development activities in the near future.

These plans include:

- Joint Development in Midtown Elizabeth that calls for construction of a multi-faceted retail/office/residential complex in the Central Business District in conjunction with a new NJ Transit rail station;
- Airport City, a program for rehabilitation and redevelopment on Route 1 & 9 Corridor, which is the key access route to Newark Airport;
- The Meadowlands Industrial Sector, which involves reclamation and redevelopment of vacant lands in the Elizabeth meadows, now owned by the railroads.

The opportunity for success of these large scale projects will be greatly enhanced by the tax incentives we can now offer as a result of the Urban Enterprise Zone designation. This will help Elizabeth to capitalize on its natural advantages of prime location, strong labor force, and stable tax base to remain competitive with other areas vying for the private investment dollar.

We are looking forward to continuing the fruitful working relationship we have established with the Urban Enterprise Zone Authority officials and staff in implementing the program. We have found them receptive to our requests and suggestions, and helpful in resolving any problems encountered along the way.

We would like to apprise the Committee of a problem we have encountered regarding the question of eligibility for urban renewal corporations. These holding companies which are formed for the purpose of Fox-Lance tax abatement have been denied qualified business status because of the job creation issue. The sizeable investment in new construction and eventual generation of tax revenue and increased employment initiated by such a company would certainly seem to conform to the spirit of the Urban Enterprise Zone Act. We see continued ex-

clusion from Enterprise Zone benefits to such companies in Elizabeth as a real barrier to large scale industrial development in our community, and respectfully request the Committee to consider a change in the legislation to allow special criteria for the urban renewal corporation.

• During the past several months we have requested the Authority to support amendments to the original Urban Enterprise Zone legislation to provide for extension of the reduced sales tax benefit to the remaining five zone municipalities, and to authorize a one time \$25,000 administrative grant for assistance to the zone coordinating units in each municipality.

The addition of the retail tax benefit in our community will greatly increase the advantage of the Urban Enterprise Zone Program to merchants in our Central Business District. We anticipate that this amenity will help businesses in Midtown Elizabeth to compete with suburban centers and malls, as well as with nearby cities which offer the reduced sales tax through Enterprise Zone status.

Moreover, access to revenues from the Enterprise Zone Assistance Fund would make possible the acquisition of additional land for needed parking accommodations and supplementary policing of shopping areas for increased security.

We hope that the Committee will recognize the importance of these two amendments to the original legislation in realizing the full potential of the Urban Enterprise Zone Program for economic revitalization through capital investment and job creation.

We look forward to an increasingly fruitful era of economic development in the City of Elizabeth in cooperation with the New Jersey State Legislature and the Department of Commerce and Economic Development.

Thank you!

4X

City of Bridgeton



City Hall Annex - Bridgeton - New Jersey 08302

Office of Economic Development (609) 455-3230

New Jersey's Largest Historic District

ASSEMBLY URBAN POLICY and WATERFRONT DEVELOPMENT

Hearing on Implementation of New Jersey Urban Enterprise Zones Act.

April 29, 1986.

April 22nd marked the first anniversary of the Bridgeton Urban Enterprise Zone Program. The past year has seen 106 Bridgeton businesses designated as qualified program participants. These 106 qualified businesses represent 32% of the approximately 325 businesses located within the City's enterprise zone boundaries. During the first year of the program, nearly 1/3rd of all eligible businesses are qualified participants in the Bridgeton Urban Enterprise Zone program.

The employment and investment commitments by these participating businesses have been a welcome surprise. The City had set a program goal of creating 1,000 new jobs within five years. Within the next two years, these 106 qualified businesses will create 935 full time and 140 part time jobs. Not only will new jobs be created but some 1,072 existing jobs will be retained by these same businesses. By April of 1987 it is projected that 2,077 people will be working within the Bridgeton Urban Enterprise Zone, compared to 1244 workers in the zone area in 1980. The 833 employee increase in the zone area between 1980 and 1987 represents a 40% increase in employment.

Business investment figures have been equally surprising. In the next two years, over \$17,000,000 will be invested by Bridgeton's 106 qualified businesses. Included in this total is the 3.1 million dollar construction of the TEC Floor tile manufacturing facility which represents the first new industrial construction in the City in over a decade.

Of Bridgeton's 106 qualified businesses, 64 are also qualified to collect reduced sales taxes on sales of tangible personal property. Such sales and the corresponding tax collections have resulted in the deposit of over \$42,000 into the City's zone assistance fund for future use in zone development projects.

By the above accounts, Bridgeton has had a very successful first year in the Urban Enterprise Zone program. Interest and participation is on the rise, and retail sales are up. While the enterprise zone program cannot take complete credit for all these developments, it is safe to say that the program has impacted them. As I see it, the enterprise zone program has served as an impetus to economic recovery in Bridgeton.

However, there remain a few problems and concerns that must be resolved and addressed in order to keep New Jersey's Urban Enterprise Zone program on track as one of the nation's leading programs of its kind:

1. Simplification of reduced sales tax provision:

Currently, with some exceptions, all sales of tangible personal property may be taxed at 50% of the current sales tax rate by businesses designated as reduced sales tax vendors. Services, however, are taxed at the full current rate regardless of any zone designation. Because this distinction between retail sales and services exists, it is difficult to uniformly administrate this provision of the enterprise zone program.

For example, reduced sales tax vendors that sell retail goods and also supply services - such as auto repair shops and photograph shops, must distinguish between $\frac{1}{2}$ tax and full tax for customer purchases. A customer that purchases a roll of film and picks up a roll of developed film, will pay 3% tax on the purchase of the film and 6% tax on the processed film. This is extremely confusing to the customer and complicates the vendor's bookkeeping.

The distinction between retail sales and services also serves to blemish the intent and purpose of the zone legislation as it discriminates against certain retailers. Although generally perceived as performing a retail function, restaurants and print shops are ineligible to collect reduced sales tax on their sales because both are classified as services according to the Sales Tax legislation. The purpose of the $\frac{1}{2}$ sales tax provision in the enterprise zone legislation is to create an incentive for shopping in the zone. Selective disqualification of zone businesses does not enhance the intent of the zone legislation.

In order to address both the administrative and selectivity problems with the $\frac{1}{2}$ tax enterprise zone benefit we suggest that any qualified business that collects sales tax be eligible to collect reduced sales tax with the exception of sales of motor vehicles. Such an amendment to the legislation would clarify and simplify the program and would eliminate what now amounts to selective discrimination in the application of the reduced sales tax benefit.

2. Administration and marketing grant:

At the February meeting of the State Zone Authority, Bridgeton proposed that the State provide a one-time grant of \$25,000 to all cities having enterprise zones to help defray the administrative and marketing "start-up" costs of the program. This grant, which would be matched by enterprise zone municipalities, is necessary given the prevailing economic situations of the zone municipalities and recent aid reductions. Such a grant would enable zone cities to immediately implement an appropriate administrative apparatus for the program and to market the program to firms both inside and outside the zone. A number of other enterprise zone municipalities including Trenton, Orange and Elizabeth have written letters to the Zone Authority in support of such a grant. We request that the legislature consider making such grants - which would amount to \$250,000- from the general fund.

3. Zone development projects:

In January, Bridgeton proposed to the State Zone Authority that zone development corporations be allowed to secure loans from local private institutions through a revenue anticipation agreement involving forthcoming funds from the Zone Assistance Fund. Normally these funds would be released in 1987 from zone development projects, but situations may arise where Fund monies are needed immediately to ensure economic development activities. Legislative approval for this revenue anticipation borrowing would eliminate the possibility of missed opportunities for enterprise zone cities.

Additionally, the City would like to suggest that Zone Assistance Fund monies revert to the zone development corporations and municipalities in block grant-type form rather than as project-specific allocations.

4. Exclusion of suburban shopping malls from enterprise zones:

It has come to our attention that a suburban shopping mall may be considered in an expansion of an existing urban enterprise zone. The City of Bridgeton would like to go on record as opposing any inclusion of a suburban-type shopping mall in any enterprise zone at any time, as such an inclusion violates the basic intention of New Jersey's enterprise zone legislation. If the intention of the legislation is to promote urban redevelopment and revitalization, allowing a suburban mall-type facility into an enterprise zone would be at the very least counter-productive.

9x

WRITTEN TESTIMONY
REGARDING THE
URBAN ENTERPRISE ZONE PROGRAM

SUBMITTED BY
RICHARD L. TAYLOR
MAYOR
CITY OF PLAINFIELD

APRIL 29, 1986

The City of Plainfield was designated as an Urban Enterprise Zone on April 17, 1986. Plainfield's designation came through a special amendment to the existing Enterprise Zone legislation, that was passed by both houses of the New Jersey State Legislature and signed into law by Governor Thomas Kean. The legislation received bi-partisan support from all levels of government. Since being designated, the City of Plainfield has proven that the tax incentives, specified in the Urban Enterprise Zone program, can be used effectively as tools to stimulate economic development in urban areas.

In the City of Plainfield, 230 businesses have successfully completed the Urban Enterprise Zone certification process. These businesses have made a commitment to retain 3,587 existing full and part-time permanent positions, while creating 1,600 new permanent full and part-time employment positions. More importantly, these same businesses are committed to investing \$18,989,237 over the next two (2) years. These investments will include the purchasing of new machinery and equipment; securing larger operational space; purchasing and renovating real properties; instituting marketing and promotional campaigns, and introducing new product lines.

In addition to these figures, seventy-three (73) retail business operations were certified in the Urban Enterprise Zone program before October 1, 1985. These seventy-three (73) businesses are currently providing their customers with a 50% sales tax reduction on the New Jersey sales tax. This reduction has substantially increased the "walk-in" trade for those businesses.

Although these numbers are impressive, and the commitment to Plainfield is strong, it appears we are "missing the boat" in so far as our retail community is concerned. A large number of other retail businesses would also like to pass the sales tax reduction onto their customers. However, the existing legislation states that a business must apply for this benefit by October 1st of the preceeding tax year, so that they can receive the reduced sales tax benefit in the following tax year. In this regard, on behalf of the City of Plainfield I respectfully request that the existing tax legislation be amended so that the retail sales tax reduction will take effect immediatley upon business certification.

The existing October 1st deadline, serves as a deterrent to retailers participating in the Enterprise Zone program. A retailer that becomes certified by the Division of Taxation on October 15, 1985 will not be eligible for the 50% reduction in retail sales tax until January 1, 1987. This 15 month waiting period hinders the success of the Urban Enterprise Zone program among small business retailers. Retailers are the strength of the economy in cities like Plainfield and should not be ignored in the overall efforts to revitalize urban areas.

Finally, the proposed amendment will enhance the Urban Enterprise Zone program. The amendment will provide immediate benefits to retail businesses by increasing "walk-in" trade and encouraging businesses to expand their hours of operation. The suburban enclosed shopping malls are pirating many of the urban retailers' customers. The amendment has the potential to allow the urban retailer to successfully compete with shopping centers. Cities, like Plainfield, will be able to

attract and provide "night-time" activities for their patrons. Once the pedestrian traffic increases to a certain level, this will increase our ability to develop inner city shopping malls. Therefore, providing a combination of pedestrian promenades, public plazas, and uniform facade and signage treatments.

The Urban Enterprise Zone program serves as a vehicle to provide revitalization to urban areas. In order for the Urban Enterprise Zone program to remain successful, the legislation must be reviewed so that modifications can be made. Therefore, I trust that you will support this initiative and will reach out to your colleagues to ensure its enactment.

SUMMARY
OF
KRAFT & HUGHES

April 29, 1986

Re: Urban Enterprise Zone Act

I. Introduction

The Urban Enterprise Zone Act N.J.S.A. 52:27H-60 (attached hereto) (the "Act") in its present form, does not permit certain businesses, creating employment within a zone, to receive intended tax benefits. The problem stems from the fact that the owners of the projects have formed real estate partnerships, or urban renewal corporations or associations formed for the purposes of the New Jersey Urban Renewal Corporation and Association Law (popularly known as the "Fox-Lance Act"). None of these entities generally technically meet the present definition of a "qualified business" under the Act.

II. Explanation

The Urban Enterprise Zones Act provides certain tax benefits for "qualified businesses" located in the designated Urban Enterprise Zones (the "Zones"). One such benefit is that sales of materials or services to contractors or repairmen for exclusive use on real property of a "qualified business" within an Urban Enterprise Zone is exempt from the State sales and use tax. "Qualified Business" under the Act, (in part) means:

"any entity authorized to do business in the State of New Jersey which, at the time of designation as an enterprise zone, is engaged in the active conduct of a trade or business in that zone; or an entity which, after that designation but during the designation period, becomes newly engaged in the active conduct of a trade or business in that zone and has at least 25% of its full-time employees employed at a business location in the zone, meeting one or more..."

Consequently, if a business is not actively operating in an Urban Enterprise Zone at the time it is designated as an Urban Enterprise Zone, it must then meet the requirements of the second part of the definition (i.e., the employee test) in order to be a qualified business.

Some projects located in the Urban Enterprise Zones are owned by partnerships, which utilize this form of ownership in order to realize certain Federal tax benefits. Other projects located in Zones are seeking tax abatement under the Fox-Lance Act. In order to qualify for this tax abatement, the projects must be owned by an urban renewal corporation or an urban renewal association qualified under the Fox-Lance Act. The Fox-Lance Act, also, places operational and financial restrictions on urban renewal entities. The traditional structure under the Fox-Lance Act and the partnership arrangement is for the urban renewal entity or partnership to hold title to the real property and improvements, and to lease them to an operating company. In most cases, the holding company has no employees and the operating company is the chief employer at the project. The result is that, while the operating company might meet the definition of a "qualified business" under the Urban Enterprise Zones Act, the holding company may be denied treatment as a "qualified business" because it technically has no employees. This prevents the holding company from enjoying the State sales and use tax exemptions provided under the Urban Enterprise Zones Act in constructing the building, despite its key role in structuring the project and ultimately creating employment.

III. Conclusion

It is our position that certain modifications must be made to the Act in order to more fully impliment its purpose. Such changes should take the foregoing explanation into account, thus permitting the holding companies as well, as the individual operating companies, to take advantage of the available tax benefits under the Act. Regardless of the structure of the transaction the net employment benefit to the State will be the same.

Furthermore, it is our position that any amendments to the Act should be retroactive. A number of projects have come into Zones, with the tax benefits under the Act specifically in mind, only to find out that certain such benefits are not available because of the structure of the ownership and not due to insufficient employment was being created by the Project.

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April 22, 1986

New Jersey Economic
Development Authority
Capitol Place One
200 S. Warren Street
Trenton, New Jersey 08625

Att: John Walsh
Deputy Director

Re: Urban Enterprise Zone

Dear John:

I have been advised that Urban Political and Waterfront Committee of the New Jersey State Assembly will hold a hearing on proposed Urban Enterprise Zone Legislation on April 29, 1986 at 10:00 a.m. in Trenton at the State House Annex, Room 334. As you know, it is very important for Elgin Realty and also for other companies that we have previously been involved with that any proposed legislation permit the developer to have the benefits of the Urban Enterprise Zone. Bernie Davis previously advised you of the position taken by the Division of Taxation that it was ruling the developer did not qualify under the statute because of the lack of employees.

We hope to contact the Committee and ask to be permitted to address that Committee. We would hope that somebody from the NJEDA would also contact the Committee and ask to address it on the same issue. We are also asking, by copy of this

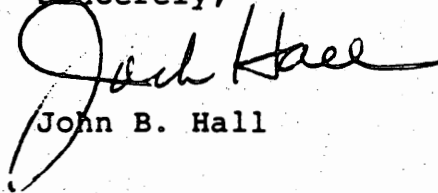
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KRAFT & HUGHES

New Jersey Economic Development Authority
Page Two
April 22, 1986

letter, that Alfred Faiella of the Newark Economic Development Corporation arrange to have somebody from his organization testify also. Since I will be away from the 24th through the 29th, I would appreciate it if you would contact Bernie Davis and let him know of the NJEDA's position. Thank you very much.

Sincerely,

A handwritten signature in dark ink, appearing to read "John B. Hall". The signature is fluid and cursive, with the first name "John" being more prominent than the last name "Hall".

John B. Hall

JBH/rp

cc: Mr. Alfred Faiella
Bernie Davis, Esq.
Peter Herman, Esq.
Sid Glaser, Esq.

April 7, 1986

John Walsh
Deputy Director
New Jersey Economic Development
Authority
200 South Warren Street
Capital Place One
Trenton, New Jersey 08625

Re: A.K. Urban Renewal Corp.

Dear John:

Thank you for getting back to me on the problem addressed in my previous letters to you regarding the projects in the Urban Enterprise Zones, which are seeking sales tax relief on the cost of construction materials.

As I understand it, the Department of Commerce is going to introduce legislation to amend the existing Enterprise Zones Act to provide relief for those entities that have set-up real estate holding companies as a part of their financing package. If you will, please suggest to those who are considering this legislation, the concern that there are a number of projects which are already under construction or which must begin construction. It would be of great benefit to these projects if the legislation when introduced would be retroactive for those who have been unable to obtain this tax relief due to their financing structure.

Thanks for your help on this important matter.

Very truly yours,

Bernard S. Davis

BSD:lbm
cc: Frank Welt, Esq.

March 3, 1986

Mr. John F. Walsh
New Jersey Economic
Development Authority
200 South Warren Street
Capital Place One
Trenton, New Jersey 08625

RE: PROJECTS IN URBAN ENTERPRISE ZONES

Dear John:

This is in reference to my letter of February 12, 1986 regarding a problem that has developed affecting certain projects located in Urban Enterprise Zones. The problem stems from the fact that the owners of the projects are urban renewal corporations or associations qualified under N.J.S.A. 40:55C-54 and N.J.S.A. 40:55C-55.1 of the New Jersey Urban Renewal Corporation and Association Law (popularly known as the "Fox-Lance Act"). Several of these projects received, or are to receive, financial assistance through the EDA. At least three of these projects are also located in EDA industrial centers.

The Urban Enterprise Zones Act provides certain tax benefits for "qualified businesses" located in the designated Urban Enterprise Zones. One such benefit is that sales of materials or services to contractors or repairmen for exclusive use on real property of a "qualified business" within an Urban Enterprise Zone are exempt from the State sales and use tax.

The Urban Enterprise Zones Act defines a "qualified business" as follows:

"Qualified business means any entity authorized to do business in the State of New Jersey which, at the time of designation as an enterprise zone, is engaged in the active conduct of a trade or business in that zone; or an entity which, after that designation but during the designation period, becomes newly engaged in the active conduct of a trade or business in that zone and has at least 25% of its full-time employees employed at a business location in the zone, meeting one or more of the following criteria

- (1) Resident within the zone or within the municipality within which the zone is located; or
- (2) Unemployed for at least a year prior to being hired and residing in New Jersey, and recipients of New Jersey public assistance programs for at least one year prior to being hired, or either of the aforesaid; or
- (3) Determined to be economically disadvantaged pursuant to the Jobs Training Partnership Act....". (N.J.S.A. 52:27H-62)

Consequently, if a business is not actively operating in an Urban Enterprise Zone at the time it is designated as an Urban Enterprise Zone, it must then meet the requirements of the second part of the definition (i.e., the employee test) in order to be a qualified business.

Some projects located in Urban Enterprise Zones are also seeking tax abatement under the Fox-Lance Act. In order to qualify for this tax abatement, the projects must be owned by an urban renewal corporation or an urban renewal association qualified under the Fox-Lance Act. Since the Fox-Lance Act places operational and financial restrictions on urban renewal entities, the traditional structure under the Fox-Lance Act is for the urban renewal entity to hold title to the real property and improvements, and to lease them to an operating company. In most cases, the urban renewal entity has no employees and the operating company is the chief employer at the project. The result is that, while the operating company might meet the definition of a "qualified business" under the Urban Enterprise Zones Act, the urban renewal entity may be denied treatment as a "qualified business" because it technically has no

employees. This prevents the urban renewal entity from enjoying the State sales and use tax exemptions provided under the Urban Enterprise Zones Act in constructing the building.

The following three EDA projects are examples of projects seeking qualification under both the Urban Enterprise Zones Act and the Fox-Lance Act:

1. Danic Urban Renewal Company (EDA No. 85RE-6783) is the owner of a project located in the Authority's Seaport Industrial Center in Elizabeth. Danic is an urban renewal limited partnership formed specifically for the purpose of owning and constructing the project. Danic leases the entire project to Atalanta Corporation, an importer and distributor of food products whose principal office is currently located in New York City. As described in its project occupant application, Atalanta intends to consolidate its East Coast storage and distribution operations, currently being handled in New York, Philadelphia, Baltimore and Norfolk, at the project site and anticipates employing 114 people at the project. George G. Gellert and his wife, Barbara Gellert are, respectively, the general partner and limited partner of Danic Urban Renewal Company, and Mr. Gellert is also the controlling shareholder of Atalanta Corporation.

2. A.K. Urban Renewal Corp. (EDA 85RE-6343) is the owner of a project in the Authority's Seaport Industrial Park in Elizabeth. A.K. is an urban renewal corporation formed specifically to own and construct the project, which it leases entirely to The Kristen Distributing Company, a wholesale beer distributor. All of the stock of both A.K. Urban Renewal Corp. and The Kristen Distributing Company is owned by members of the Kristen family.

3. Elgin Realty Urban Renewal Co. is in the process of submitting an application to the Authority to finance a project in the Authority's Airport Industrial Park in Newark. Elgin is an urban renewal general partnership formed by seven individuals to acquire and construct the project, which it will lease to three corporate tenants for use as a manufacturing facility. The three tenants are Durite Leather Goods Co. Inc. and Handcraft Mfg. Corp., both relocating from New York to Newark, and Personality Handkerchief Corp., currently located in Hoboken. Two of the individual partners of Elgin own all of the stock of Handcraft Mfg. Corp. and Personality Handkerchief Corp. Four of the individual partners of Elgin own 80% of the stock of Durite Leather Goods.

These three projects illustrate the typical structure used in order to qualify for the tax abatement provided under the Fox-Lance Act. Since the tenant operating companies are not able to function under the operational and financial restrictions of the Fox-Lance Act, an urban renewal entity is formed specifically to hold title to and develop the project. In each case, the ownership of the urban renewal entity and the that operating company is either identical or substantially the same.

As I mentioned in my previous letter, we would suggest that projects such as those described above be viewed as integrated packages for purposes of determining whether the owners and operators meet the requirements of a "qualified business" under the Urban Enterprise Zones Act and therefore are eligible for the State sales and use tax exemption.

Again, I would appreciate the Authority's assistance in resolving this problem. If you should need any additional information on any of these projects, please contact me.

Very truly yours,

Bernard S. Davis

BSD/lbm
2131A

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February 12, 1986

John F. Walsh
Deputy Director
New Jersey Economic Development
Authority
200 South Warren Street
Capital Place One
Trenton, New Jersey 08625

Dear John:

This will serve to confirm my conversation with you regarding a problem which has come up with respect to projects in the State's Urban Enterprise Zones, which are also seeking Fox-Lance Tax Abatement. The most immediate problem stems from a project in your Elizabeth Industrial Center, A.K. Urban Renewal/Kristen Distributing, for which we served as Bond Counsel. As you know we represent Elgin Realty, which is slated to go into your Newark Industrial Center, which is also in an Urban Enterprise Zone. Elgin will be structured in a manner similar to A.K.

The problem centers on the fact that projects seeking Fox-Lance Tax Abatement are required to establish an urban renewal partnership or corporation. This entity owns the facility which is the subject of the tax abatement. Because of the financial limitations imposed by the Fox-Lance Act, this entity normally leases the facility to an operating company, which in most cases is the chief employer at the project. In most cases the Fox-Lance entity has no employees, but is merely a holding company for title to the Project.

Unfortunately, this traditional structure for projects seeking Fox-Lance Tax Abatement is having the unintended result of denying Urban Enterprise Zone companies from enjoying sales tax relief for goods purchased by the urban renewal entity. I have been advised that the Division of Taxation is troubled by the fact that the urban renewal entity in seeking sales tax abatement on construction materials for the project is not creating any employment. The requirement by the Division of Taxation that each entity applying for sales tax abatement create new employment, is having, what I believe to be, the unintended result of denying to these projects certain benefits created under the Urban Enterprise Zone legislation.

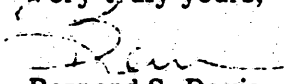
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Page Two
February 12, 1986

The solution would appear to lie in having the Division look at the project as a package. In most of these instances, the ownership of the urban renewal entity and the operating company is the same. If both entities apply for sales tax relief at the same time, the Division could treat the applications as a package, thereby using the employment generated by the operating company to sustain the application of the urban renewal entity. This would appear to be in harmony with the purposes of the Urban Enterprise Zones Act, in that new employment will be brought to the project by the operating company, which is the ultimate beneficiary of the State tax inducements created by Fox-Lance and the Urban Enterprise Zones Act. The lower building costs resulting from sales tax abatement and the lower local real estate tax will be reflected in lower rental costs from the urban renewal entity to the operating company.

I would appreciate the assistance of the Authority in resolving this matter, since it directly impacts on two EDA funded projects which are both in EDA Industrial Parks, both located in Urban Enterprise Zones.

Very truly yours,


Bernard S. Davis

BSD:lbm

