New Jersey Economic Development Authority

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Garden State Growth Zones - Paterson

Under the Economic Opportunity Act, Garden State Growth Zones (GSGZ) were identified and defined as the four New Jersey cities with the lowest median family income based on the 2009 American Community Survey from the US Census; and a municipality which contains a Tourism District as established pursuant to section 5 of P.L.2011, c.18 (C.5:12-219) and regulated by the Casino Reinvestment Development Authority.

The highest levels of economic incentives are available in GSGZs in order to further spur private capital investment, business development and employment in those areas. The New Jersey Garden State Growth Zones include: Atlantic City, Camden, Trenton, Passaic, and Paterson.

Grow NJ Benefits for Businesses Expanding in or Relocating to Paterson:

1. **Businesses in Paterson are eligible for increased Grow NJ tax credit amounts per job:**

- The base tax credit amount in a GSGZ is $5,000 per FT job per year.
- Including maximum bonuses, the gross tax credit amount is $15,000 per FT job per year.
- GSGZs are eligible for up to a $5,000 bonus tax credit amount per FT job if there is excess capital investment in industrial site for industrial use.
- If median salary is in excess of median for GSGZ as shown below, then project is eligible for up to a $1,500 bonus tax credit amount per FT job.
- The maximum amount to be applied by the business annually is $30,000,000 in GSGZs
- For each retained job, tax credits can equal 100% of tax credits for new jobs (for retained jobs in non GSGZs, tax credits for retained jobs are reduced to the lesser of 50% of the amount of the tax credit for a new job or 1/10 of capital investment divided by the total number of new and retained employees.

Garden State Growth Zone	Median Salary
Paterson	$27,588

2. **Final point of sale retail businesses are eligible for Grow NJ in Garden State Growth Zones, including Paterson:**

Typically under Grow NJ, final point of sale retail businesses are not eligible, with the exception of:

- Businesses in a Garden State Growth Zone that will include a retail facility of at least 150,000 square feet, of which at least 50% is occupied by either a full service supermarket or grocery store.

continued

Garden State Growth Zones - Paterson (continued)

3. **Minimum FT Employment Requirements are reduced for businesses in Paterson:**

Minimum FT Employment Requirements for Paterson	New / Retained Full Time Jobs
Tech start ups and manufacturing businesses	8 / 19
Other targeted Industries	19 / 27
All other businesses/industries	27 / 38

Minimum employment numbers are lowered by 1/4 in GSGZs and the lowered amounts are reflected above. In the case of any fractional total, the minimum employment total will be rounded up to the next largest whole number.

4. **Capital Investment definition is expanded for businesses in Paterson:**

For businesses in Paterson, the following qualify as a capital investment:

- Any and all development, redevelopment and relocation costs, including, but not limited to:
  - Site acquisition if made within 24 months of application to the Authority,
  - Engineering, legal, accounting, and other professional services required
  - Relocation, environmental remediation, and infrastructure improvements for the project area, including, but not limited to, on- and off-site utility, road, pier, wharf, bulkhead, or sidewalk construction or repair.

5. **Minimum Capital Investment Requirements are reduced for businesses in Paterson:**

Minimum Capital Investment Requirements for Paterson	$ / Square Foot
Industrial, Warehousing, Logistics and R&D - Rehabilitation Projects	$13.33
Industrial, Warehousing, Logistics and R&D - New Construction Projects	$40
Other – Rehabilitation Projects	$26.67
Other – New Construction Projects	$80

Minimum capital investment amounts are lowered by 1/3 in GSGZs and the lowered amounts are reflected above. In the case of any fractional total, the minimum capital investment will be rounded up to the nearest penny.

6. **For Paterson projects, the Net Benefit Test will be calculated on the initial 30 years (increased from 20 years for most projects) following the completion of the project.**

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Garden State Growth Zones - Paterson (continued)

Benefits for ERG Projects in Paterson:

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

For commercial projects, defined as projects that are predominantly commercial and include retail, office and/or industrial uses for purchase or lease, incentive grant reimbursement of up to 20% of total project cost is available, with a bonus of 20% available for projects in Garden State Growth Zones, including Paterson. Therefore, the total tax credit may equal up to 40% of total project costs, not to exceed an average of 85% of the project's annual incremental revenues. Additional requirements, including a comprehensive net benefit analysis to verify that the revenues the State receives will be greater than the incentive, apply to commercial projects under ERG.

Garden State Growth Zone Property Tax Exemptions:

The Economic Opportunity Act authorized property tax exemptions in GSGZ municipalities under certain situations. The following is applicable to Paterson:

- The owner of any property located within a Garden State Growth Zone that performs any new construction, improvements, or substantial rehabilitation improvements to property, shall be entitled to an exemption from taxation regarding such improvements. For purposes of such exemption, the municipality shall consider the assessor's full and true value of the improvements as not increasing the value of the property for a period of five years, notwithstanding that the value of the property to which the improvements are made is increased thereby.
- Additionally, GSGZ municipalities were allowed to Opt-In and pass a City Ordinance to allow property tax exemptions for GSGZDEs on improvements to eligible property for any new construction, improvements, or substantial rehabilitation of structures on real property for a period of up to 20 years. This property tax exemption allows that for the first 10 years immediately subsequent to the issuance of a Certificate of Occupancy, the GSGZDE shall be exempt from the payment of taxes on the improvements to the eligible property. The City of Paterson passed such an Ordinance in December 2013. Click here to view the Ordinance for Paterson.
- Any exemption obtained under this section shall be fully transferable upon the sale of real property, as long as the new owner meets all requirements for exemption set forth pursuant to this section.

continued

Garden State Growth Zones - Paterson (continued)

***Per the Economic Opportunity Act, "Garden State Growth Zone Development Entity" means a private corporation incorporated pursuant to Title 14A of the New Jersey Statutes, or established pursuant to Title 42 of the Revised Statutes, for which the profits of the entity are limited as follows. The allowable net profits of the entity shall be determined by applying the allowable profit rate to the total project cost, and all capital costs, determined in accordance with generally accepted accounting principles, of any other entity whose revenue is included in the computation of excess profits, for the period commencing on the date on which the construction of the project is completed, and terminating at the close of the fiscal year of the entity preceding the date on which the computation is made, where:*
"Allowable profit rate" means the greater of 12 percent or the percentage per annum arrived at by adding one and 1/4 percent to the annual interest percentage rate payable on the entity's initial permanent mortgage financing. If the initial permanent mortgage is insured or guaranteed by a governmental agency, the mortgage insurance premium or similar charge, if payable on a per annum basis, shall be considered as interest for this purpose. If there is no permanent mortgage financing the allowable profit rate shall be the greater of 12 percent or the percentage per annum arrived at by adding one and 1/4 percent per annum to the interest rate per annum which the municipality determines to be the prevailing rate on mortgage financing on comparable improvements in the county.

Other Resources for Businesses Considering Paterson:

UCEDC's Business Resource Guides provide comprehensive listings and contact information for agencies and organizations that are focused on helping businesses. Click here to view UCEDC's Passaic County Business Resource Guide.

Click here for Choose NJ's economic profile on the City of Paterson.