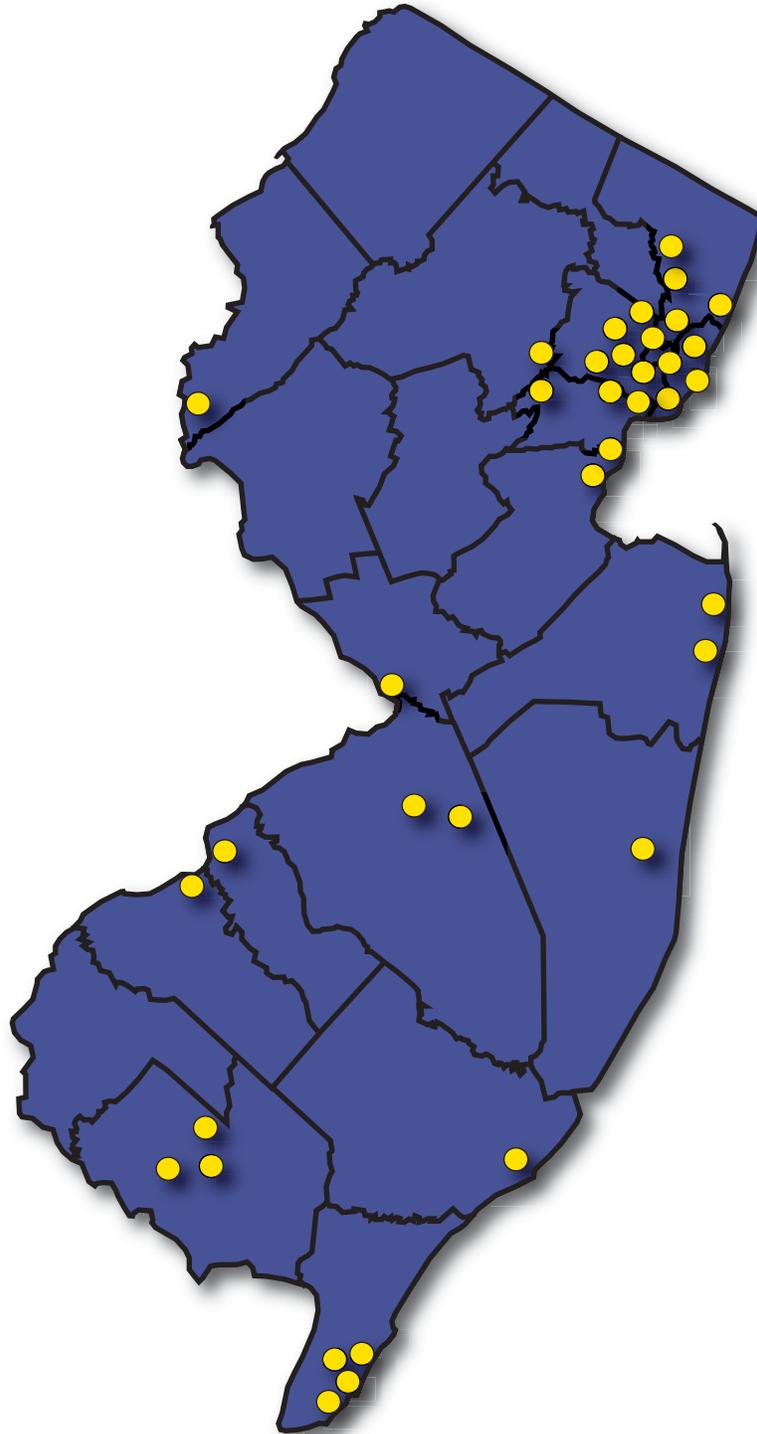
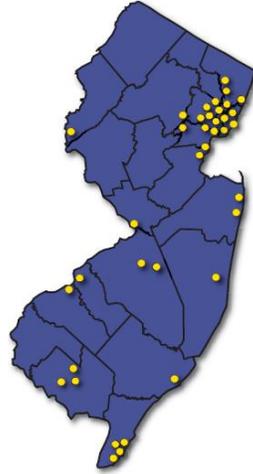


New Jersey Urban Enterprise Zone Program Assessment 2019



Commissioned by the New Jersey Department of Community Affairs



NEW JERSEY URBAN ENTERPRISE ZONE PROGRAM ASSESSMENT 2019

Submitted to the New Jersey Department of Community Affairs
Conducted by Thomas Edison State University, PEL Analytics, and Anderson Economic Group

2019

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The Research Team

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CHAPTER 1: EXECUTIVE SUMMARY

In 2019, the State of New Jersey sought an evaluation of its Urban Enterprise Zone (UEZ) Program to determine the program's economic impact and make recommendations for the program's future. The John S. Watson Institute of Public Policy of Thomas Edison State University joined with PEL Analytics and Anderson Economic Group to produce the following study. The main recommendation of this analysis is to retain the UEZ Program while instituting various changes to make it stronger. Recommended changes in brief include reinstating some form of Zone Assistance Funds (ZAFs), creating a better system to collect data and track outcomes, assisting smaller municipalities with issues such as administering revolving loan funds, linking the UEZ Program with similar state supported incentives, graduating businesses out of the program after a maximum of 10 years, developing a marketing component and similar measures that will be outlined in full later in this Assessment.

Both the quantitative and the qualitative data indicate that there are a variety of benefits that UEZ municipalities receive from the program, including suggestions that it assists with unemployment and poverty based on Municipal Revitalization Index data. However, it is unrealistic to believe that any single economic development program can lift a municipality with entrenched problems of distress and poverty to health and sustainability. The UEZ Program is only one tool in the state's economic toolbox, but it appears to be a valuable tool. Therefore, there is no recommendation to replace or sunset the UEZ Program.

Since 2013, the UEZ Program has generated increased economic activity that has led to new state revenues as UEZ-certified businesses experienced greater output, earnings, and employment growth than nonparticipating businesses that were also located in UEZs. In addition, the program has had some success in attracting businesses from outside of New Jersey to the state. However, while the program created jobs and fostered economic growth, it is not clear whether the new economic activity generated tax revenues in excess of the taxes foregone by the State due to UEZ incentives. The net economic and fiscal impact analysis of the program was limited by the available data, as discussed in Chapter 3. This led to one of the main recommendations — that the State should strengthen its data collection and tracking system of UEZs in order to better determine outcomes and pinpoint possible improvements. Although the program appears to benefit participating businesses, an analysis of several place-based socioeconomic metrics in Chapter 10,

including household income, unemployment, and home value show that individuals living in UEZs are not necessarily better off than individuals living in comparable non-UEZ areas.

The New Jersey UEZ Program was created in 1983 to stimulate revitalization in urban communities through various incentives, the most well-known of which is the ability of UEZ businesses to charge only half the standard sales tax rate. The program's focus was job creation and economic development. Criteria for creating the zones mostly centered on unemployment figures. Currently, there are 32 zones, which are spread across 37 municipalities and home to approximately 6,800 UEZ-certified businesses. The first five municipalities joined the program in 1986; the most recent joined in 2002. The original UEZ designations granted to municipalities were set to expire after 20 years. Sixteen-year extensions were granted in 2001, and then another extension was given more recently to the original five UEZ municipalities whose designation had terminated. All UEZs are currently set to expire between 2023 and 2025.

At its simplest form, UEZ is a dedicated funding source for local economic development. The dedicated funding source is the State sales tax. As the incentive exists today, these State sales tax funds are deployed in UEZ communities to promote economic development by allowing local businesses and consumers to pay less in State sales tax, which amounts to a State subsidy (and therefore an expense) to those same businesses and consumers.

At the time of its inception, a portion of the sales tax generated by UEZ-certified businesses was used to create Zone Assistance Funds (ZAFs), a flexible revenue source used by UEZ communities for a broad range of activities in support of economic development. Following a study of the program in 2011, and under heavy criticism by the then-governor, ZAFs were eliminated. In addition, in the wake of the 2011 Assessment, administration changes were made to streamline the program's certification, annual reporting, and recertification applications.

Disagreement over the program and its benefits led to this Assessment. Critics maintained the program has been ineffective and sought to end it. Proponents laud its opportunities for disadvantaged communities and their residents and are interested in expanding it. This Assessment seeks to provide quantitative and qualitative data on the effectiveness of the UEZ Program and recommendations for its improvement as the State considers its future.

New Jersey's Municipal Revitalization Index (MRI) ranked all but one of the UEZ municipalities in the bottom 20th percentile with the majority in the 10th percentile. The UEZ municipalities also generally scored worse than the state average on factors like unemployment

and median household income. But UEZ municipalities outperformed non-UEZ municipalities in terms of the average change in certain MRI indicators, indicating benefits from the program. For example, on average the unemployment rate in UEZ municipalities grew by 1.3 percent compared to an average increase of 1.6 percent in non-UEZ municipalities.

Furthermore, a review of UEZ enabling statutes suggests that earlier eligibility criteria more closely aligned with legislative intent while recent designations relied only on population and place, which could have the impact of diluting the program. Statutory language also grants extension of the UEZ benefit for both communities and businesses with few requirements, a situation that merits review by the state. For businesses, granting them an advantage that in some cases has lasted for decades raises the question of whether they are viable or are simply being propped up by the state.

As previously noted, the economic impact study in this Assessment determined that UEZ-certified businesses experienced more robust growth than non-UEZ-certified businesses located in zones, the program has attracted out-of-state businesses that would not have otherwise relocated, and the State has received new revenues from the program. However, these results must be viewed in the context of data limitations that makes a clear net economic impact difficult to discern.

The research team conducted interviews and surveys with businesses, UEZ coordinators, local and state elected officials, and other program stakeholders which provided additional program insight and a review of UEZ accomplishments. Chapter 7 of this Assessment contains several New Jersey municipalities' UEZ Program case studies. Among them includes the creation of Steamworks, a satellite college program that exposes students and other City of Bridgeton residents to STEM-related training; the construction of the \$320 million Mills at Jersey Gardens on a brownfield site in the City of Elizabeth; and the City of Trenton's \$30 million Roebbling Market, which employs 360 people. The projects were made possible not only by the UEZ designation, but by the ZAFs component that was removed from the program after the 2011 Assessment. During interviews, UEZ coordinators as a whole lamented the elimination of ZAFs, which have been used to remediate properties, build necessary and supporting infrastructure, demolish unstable structures, and support project funding to attract private equity, among other uses including marketing the UEZ Program. ZAFs were one of the few sources of flexible economic development funds available to these municipalities. UEZ coordinators called for the reinstatement of some form of ZAFs, along with better tracking of the UEZ Program, better linkage

between UEZ and other state economic development incentives, using a more regional model to assist smaller municipalities and creating additional roles for the State board that oversees UEZs. Coordinators also cited marketing and advertising of the program as one of UEZ's weaknesses due to the lack of ZAFs.

The elimination of ZAFs profoundly changed the nature of the UEZ Program, which shifted from a comprehensive government program to a series of broad-based tax cuts and other smaller fiscal incentives.

The pre-2011 UEZ Program made significant targeted investments back into UEZ communities through ZAFs. Municipalities were given the freedom to choose how to invest that funding, focusing on local priorities upon approval by the State and the Urban Enterprise Zone Board. The post-2011 UEZ Program makes investments only through broad-based tax expenditures — i.e., tax cuts — to businesses and consumers. The consumer sales tax incentive is by far the most widely known aspect of it. But for municipalities, it is the ZAFs that tend to be the most missed.

The end of Zone Assistance Funds left a significant gap that no other program has replaced. While the state government and, to a lesser extent, the federal government, have enacted new significant place-based and other low-income community incentives that cover most UEZs, those new programs do not have the flexibility of the UEZ Program. The UEZ Program filled financial gaps for local priority projects when State and federal incentives came up short, often in the form of a direct grant or low interest loan.

UEZ-certified businesses that responded to a survey for this Assessment were generally very satisfied with the program. Most of the respondents were small businesses, with retail and manufacturing the largest categories. A majority indicated that they made more capital investments than they would have without the program, while one-third indicated that they hired more employees. Not surprisingly, businesses cited the sales tax incentives as the most important benefit. Interestingly, UEZ businesses that responded to the survey have been certified an average of 13 years with some businesses receiving the tax incentive for more than 30 years. In a review of programs in other states, most limit similar tax incentives for businesses to 10 years. Less than one-quarter of the surveyed businesses said they would move if UEZ ended, raising the issue of how necessary the benefit is to those businesses that have been in the program at this point. Most businesses did not notice a change between the program as it exists now and its original version.

Program administration, however, changed significantly with the elimination of ZAFs and other reforms. UEZ is administered by the New Jersey Urban Enterprise Zone Authority (UEZA) and its nine-member board, which is also responsible for disseminating criteria for zone designation. Currently, UEZA is mostly focused on the certification and recertification process of UEZ businesses, including reviews of required annual reporting. Prior to the elimination of ZAFs, the UEZA Board reviewed and approved use of those funds at the local level. With that task gone, the UEZA staff was reduced from 19 in 2011 to between six and nine since then. On the plus side, all UEZ applications are now streamlined through an online portal, thus reducing redundancies and more efficiently certifying businesses. But the post-2011 changes also diminished the relationship between the UEZA and the zones. Data is no longer collected on zone activity other than what is required for the certification process and marketing has greatly reduced, largely falling to local coordinators and host municipalities. The number of participating businesses also dropped in recent years due at least in part to the 2016 expiration of the UEZ designation in five municipalities. While the designation was reinstated in June 2018, the number of participating businesses has not fully recovered to the pre-2011 level. Besides the certification lapse, the lack of aggressive program marketing might be another factor in the failure to attract more new businesses.

A review of Enterprise Zones in other states and internationally shows mixed results. It appears that some Enterprise Zone programs have been effective at creating jobs and increasing development, depending on how they are structured. In addition, local governments in certain cases have seen growth in local tax revenue. But critics of Enterprise Zones note that often jobs are simply cannibalized from neighboring municipalities or even from within the municipality itself, and frequently the jobs and development that are created have been highly subsidized. In some cases, the program appears to be benefiting wealthier areas as opposed to those that are more distressed. Programs should be structured to avoid excessive inflation of land values in order to prevent incentives to property owners to increase rents hence, limiting business expansion, retention, or attraction in the zone. To avoid pitfalls, the literature suggests targeting programs to needs of the specific geographic area rather than adopting a generic, blanket approach, and incorporating other resources such as job training and infrastructure development. New Jersey's original UEZ Program appeared to be more robust than those reviewed in other states, in part because of the ZAFs that are now gone except for limited second-generation funds. However, one

area where New Jersey could emulate other states is regulating the amount of time that businesses can be certified in the program, for example, a period of 10 years, so that the State is not supporting the business in perpetuity.

In conclusion, the recommendation of this Assessment is not to eliminate the UEZ Program but to restructure and strengthen the program through measures like annual reviews of outcomes, increased collaboration between the UEZ Authority and the UEZ coordinators, more flexibility in the boundary revision procedure, development of a better data tracking system and data base, and related measures that are outlined throughout this Assessment and more specifically in the recommendations contained in Chapter 11.

CHAPTER 2: UEZ PERFORMANCE AND STATUTORY LANGUAGE

New Jersey's UEZ law was designed to alleviate economic distress characterized by unemployment, blight and low investment of capital. The state's Municipal Revitalization Index results suggest that UEZ is providing some assistance to municipalities, for instance in slowing the growth of unemployment, which is one of the main intents of UEZ legislation. Meanwhile, a review of statutory language indicates that recent municipal eligibility criteria have focused more on population and place than factors such as unemployment. In addition, renewal and recertification of UEZ businesses and municipalities are nearly automatic. UEZ as an economic tool appears to have benefits for municipalities, but it is only one of many economic tools that these distressed municipalities need to overcome their challenges and become sustainable. Given the apparent benefits discussed both here and in subsequent chapters of this Assessment, it is recommended that the UEZ Program be continued for municipalities albeit with modifications. For instance, more monitoring of outcomes should be done to determine whether the municipality is still in need of UEZ, if UEZ boundaries should be adjusted and similar issues. Regarding businesses, New Jersey is recommended to follow the best practices of other states concerning the length of time that businesses are in placed-based economic development programs and sunset businesses from the UEZ Program after a maximum of 10 years.

UEZ Municipalities and the Municipal Revitalization Index

New Jersey's 2007 Municipal Revitalization Index (MRI) – previously known as the Municipal Distress Index – placed all 37 UEZ municipalities in the MRI's lowest rank of the bottom 10 percent. This index and the UEZ rankings were cited in the 2011 UEZ Program Assessment.

In 2017, the state changed the MRI indicators and used a weighted formula. As part of that process, new rankings were calculated for 2007 using the revised MRI indicators and formula. A rank of 1 = most distressed while a rank of 565 = least distressed.

Under the new 2007 calculations shown in Table 1, 27 UEZ municipalities ranked in the bottom 10 percent and 10 were in the 20th percentile. In comparison, the 2017 MRI (Table 2) ranked 24 UEZ municipalities in the bottom 10 percent, 12 in the 20th percentile and one in the 40th percentile. In other words, there was some improvement by three UEZ municipalities in the 10-year period. Over 60 percent of total UEZ communities remain in the bottom 10th percentile of the 2017 MRI compared to 5.7 percent of total non-UEZ communities. Table 3 on page 14 shows the 2017 MRI scores and ranking for each UEZ municipality.

Table 1. 2007 New Jersey Municipal Revitalization Index

MRI Rank	Rank	UEZ	Non UEZ	Total
10%	1-55	27	29	56
20%	56-113	10	47	57
40%	114-226	0	113	113
60%	227-339	0	113	113
80%	340-452	0	113	113
100%	453-565	0	113	113
	Statewide	37	528	565

Table 2. 2017 New Jersey Municipal Revitalization Index

MRI Rank	Rank	UEZ	Non UEZ	Total
10%	1-55	24	31	55
20%	56-113	12	46	58
40%	114-226	1	112	113
60%	227-339	0	113	113
80%	340-452	0	113	113
100%	453-565	0	113	113
	Statewide	37	528	565

Table 3. 2017 MRI scores and rank for UEZ municipalities

Municipality	County	MRI Score	MRI Distress Score	2017 MRI Rank
City of Camden	Camden	-26.05	100.0	1
City of Bridgeton	Cumberland	-21.12	86.3	4
City of Wildwood	Cape May	-20.60	84.8	5
City of Paterson	Passaic	-19.43	81.6	8
City of Passaic	Passaic	-17.45	76.1	10
City of Trenton	Mercer	-17.33	75.7	11
City of Newark	Essex	-16.53	73.5	12
City of Pleasantville	Atlantic	-16.37	73.1	13
City of New Brunswick	Middlesex	-13.37	64.7	17
City of Union City	Hudson	-12.20	61.5	19
City of Asbury Park	Monmouth	-11.98	60.8	20
City of East Orange	Essex	-11.89	60.6	21
City of Orange Township	Essex	-11.75	60.2	22
Township of Irvington	Essex	-11.65	59.9	23
City of Perth Amboy	Middlesex	-11.25	58.8	25
City of Plainfield	Union	-10.22	55.9	26
Town of Phillipsburg	Warren	-10.04	55.4	27
City of Elizabeth	Union	-9.76	54.7	28
City of Millville	Cumberland	-9.62	54.3	29
City of Vineland	Cumberland	-8.98	52.5	31
Town of West New York	Hudson	-8.61	51.5	35
Township of Lakewood	Ocean	-8.20	50.3	37
City of North Wildwood	Cape May	-7.82	49.3	41
Gloucester City	Camden	-6.42	45.4	51
Township of Mount Holly	Burlington	-6.07	44.4	59
City of Jersey City	Hudson	-5.80	43.7	64
Town of Guttenberg	Hudson	-5.12	41.8	70
Borough of Roselle	Union	-5.10	41.7	72
City of Long Branch	Monmouth	-4.94	41.3	78
Township of North Bergen	Hudson	-4.65	40.5	80
City of Bayonne	Hudson	-4.56	40.2	82
Township of Pemberton	Burlington	-4.35	39.6	91
Borough of Wildwood Crest	Cape May	-4.01	38.7	96
Borough of West Wildwood	Cape May	-3.88	38.3	99
Borough of Carteret	Middlesex	-3.80	38.1	101
Town of Kearny	Hudson	-3.67	37.7	106
Township of Hillside	Union	-3.38	36.9	114

Average Change in MRI Factors

Table 4 on page 15 shows the average change in the new MRI factors from 2007 to 2017 for UEZ municipalities, non-UEZ municipalities and statewide. All averages have been weighted

by population or occupied units. The UEZ municipalities performed better than the non-UEZ municipalities and the state on six of the 10 MRI change indicators¹. Indicators where UEZ municipalities underperformed non-UEZ and the state were population change, SNAP benefits, average median household income, and equalized valuation per capita. However, UEZ municipalities on average did better than the non-UEZ municipalities and statewide on certain indicators that go to the legislative intent of mitigating unemployment and blight such as change in poverty, unemployment and non-seasonal vacancy rate. Other areas where the UEZ municipal change average outperformed the state change average were Temporary Assistance for Needy Families (TANF), high school diploma and average property tax rate.

Table 4. Average change in MRI factors in UEZ and non UEZ areas

MRI Measure	UEZ	Non UEZ	Total
*Pop. Change (1997-2007 to 2005-2015)	-7.6%	-5.7%	-5.8%
*Non-Seasonal Housing Vacancy Rate (2007 to 2015)	0.6%	1.5%	1.5%
% w SNAP Benefits (2007 to 2015)	8.1%	3.0%	3.3%
Children on TANF Rate (2007 to 2016)	-13.0	-2.1	-2.7
Poverty Rate (2007 to 2015)	1.3%	1.5%	1.5%
Average Median Household Income (2007 to 2015)	\$2,778	\$3,138	\$3,119
Unemployment Rate (2007 to 2015)	1.3%	1.6%	1.6%
HS Diploma or Higher (2007 to 2015)	3.5%	1.4%	1.5%
*Avg Property Tax Rate (2003-05) to (2014-16)	0.13	0.22	0.21
*Equalized Valuation Per Capita (2007 to 2016)	-\$18,460	-\$16,194	-\$16,035

*Indicators weighted at 0.25 percent in MRI formula because less indicative of distress

Comparison of UEZ Municipalities to Home County Average Change

Table 5 on page 16 compares the change in poverty rate for UEZ municipalities to the change in poverty rate for the county weighted average for non-UEZ municipalities from 2007 to 2015. Twenty-seven UEZ municipalities performed worse than the weighted average of non-UEZ municipalities in their respective counties. Communities that performed better than the county average were Mount Holly, Camden, Gloucester City, North Wildwood, West Wildwood, Wildwood Crest, Millville, East Orange, Guttenberg and Carteret.

¹ Indicators in the MRI formula weighted at 1 each are children on TANF per 1,000 persons, unemployment rate, poverty rate, high school diploma, median household income and percent of households receiving SNAP assistance. Indicators in the MRI formula weighted at 0.25 each are decennial population change, non-seasonal housing vacancy rate, equalized three-year effective property rate and equalized property valuation per capita.

Table 5. Change in poverty rate from 2007 to 2015 for UEZ municipalities and weighted (by population) home county average of Non-UEZ municipalities

UEZ Municipality	Class	County	UEZ	UEZ Mun	Non UEZ	Poverty Rate (2007 to 2015)	
						UEZ Mun	Non UEZ
Pleasantville	City	Atlantic				8.0%	
		Atlantic	Y	1	22		3.6%
		Bergen	N	0	70		2.0%
Mount Holly	Township	Burlington				-1.3%	
Pemberton	Township	Burlington				2.6%	
		Burlington	Y	2	38		0.4%
Camden	City	Camden				1.6%	
Gloucester City	City	Camden				-3.2%	
		Camden	Y	2	35		3.3%
North Wildwood	City	Cape May				-0.8%	
West Wildwood	Borough	Cape May				-2.8%	
Wildwood	City	Cape May				8.8%	
Wildwood Crest	Borough	Cape May				-10.5%	
		Cape May	Y	4	12		1.4%
Bridgeton	City	Cumberland				7.5%	
Millville	City	Cumberland				-3.4%	
Vineland	City	Cumberland				4.1%	
		Cumberland	Y	3	11		3.1%
City of Orange	Township	Essex				9.0%	
East Orange	City	Essex				-2.3%	
Irvington	Township	Essex				7.4%	
Newark	City	Essex				5.4%	
		Essex	Y	4	18		-0.1%
		Gloucester	N	0	24		-0.2%
Bayonne	City	Hudson				2.5%	
Guttenberg	Town	Hudson				-1.0%	
Jersey City	City	Hudson				2.3%	
Kearny	Town	Hudson				2.8%	
North Bergen	Township	Hudson				4.9%	
Union City	City	Hudson				5.3%	
West New York	Town	Hudson				4.3%	
		Hudson	Y	7	5		1.2%
		Hunterdon	N	0	26		0.6%
Trenton	City	Mercer				4.9%	
		Mercer	Y	1	11		2.1%
Carteret	Borough	Middlesex				-1.6%	
New Brunswick	City	Middlesex				9.1%	
Perth Amboy	City	Middlesex				4.9%	
		Middlesex	Y	3	22		1.5%
Asbury Park	City	Monmouth				2.9%	
Long Branch	City	Monmouth				4.7%	
		Monmouth	Y	2	51		1.9%
		Morris	N	0	39		0.5%
Lakewood	Township	Ocean				7.1%	
		Ocean	Y	1	32		0.9%
Passaic	City	Passaic				3.9%	
Paterson	City	Passaic				3.0%	
		Passaic	Y	2	14		1.4%
		Salem	N	0	15		4.8%

		Somerset	N	0	21		1.7%
		Sussex	N	0	24		1.1%
Elizabeth	City	Union				2.1%	
Hillside	Township	Union				1.9%	
Plainfield	City	Union				6.9%	
Roselle	Borough	Union				8.3%	
		Union	Y	4	17		0.9%
Phillipsburg	Town	Warren				2.6%	
		Warren	Y	1	21		1.8%
		Statewide		37	528	1.3%	1.5%

Like the poverty rate measurement, the majority of UEZ municipalities, 26 out of 37, did worse than the non-UEZ county weighted average in terms of change in median household income from 2007 to 2015 as shown in Table 6. UEZ municipalities that outperformed their respective county weighted average were Pleasantville, Mount Holly, Gloucester City, West Wildwood, Wildwood Crest, Bridgeton, Millville, Jersey City, Carteret, Passaic and Paterson.

Table 6. Change in median household income from 2007 to 2015 for UEZ municipalities and weighted (by occupied units) home county average of Non-UEZ municipalities

UEZ Municipality	Class	County	UEZ	UEZ Mun	Non UEZ	Median Household Income (2007 to 2015)	
						UEZ Mun	Non UEZ
Pleasantville	City	Atlantic				\$1,827	
		Atlantic	Y	1	22		-\$2,385.51
		Bergen	N	0	70		\$3,433.17
Mount Holly	Township	Burlington				\$7,623	
Pemberton	Township	Burlington				-\$2,149	
		Burlington	Y	2	38		\$4,926.64
Camden	City	Camden				-\$376	
Gloucester City	City	Camden				\$3,604	
		Camden	Y	2	35		\$2,573.08
North Wildwood	City	Cape May				-\$977	
West Wildwood	Borough	Cape May				\$5,014	
Wildwood	City	Cape May				-\$3,907	
Wildwood Crest	Borough	Cape May				\$21,874	
		Cape May	Y	4	12		\$1,319.97
Bridgeton	City	Cumberland				\$3,744	
Millville	City	Cumberland				\$1,889	
Vineland	City	Cumberland				-\$2,969	
		Cumberland	Y	3	11		-\$361.36
City of Orange	Township	Essex				-\$7,748	
East Orange	City	Essex				-\$2,195	
Irvington	Township	Essex				-\$7,234	
Newark	City	Essex				-\$2,368	
		Essex	Y	4	18		\$5,525.44
		Gloucester	N	0	24		\$4,194.90
Bayonne	City	Hudson				\$3,990	
Guttenberg	Town	Hudson				\$6,071	
Jersey City	City	Hudson				\$7,711	
Kearny	Town	Hudson				\$1,426	

North Bergen	Township	Hudson				\$3,725	
Union City	City	Hudson				\$2,106	
West New York	Town	Hudson				\$2,809	
		Hudson	Y	7	5		\$7,017.11
		Hunterdon	N	0	26		\$6,568.98
Trenton	City	Mercer				-\$1,115	
		Mercer	Y	1	11		\$1,399.61
Carteret	Borough	Middlesex				\$11,689	
New Brunswick	City	Middlesex				-\$7,210	
Perth Amboy	City	Middlesex				-\$3,758	
		Middlesex	Y	3	22		\$4,645.80
Asbury Park	City	Monmouth				\$1,832	
Long Branch	City	Monmouth				-\$4,129	
		Monmouth	Y	2	51		\$3,499.02
		Morris	N	0	39		\$1,265.27
Lakewood	Township	Ocean				-\$1,635	
		Ocean	Y	1	32		\$4,171.29
Passaic	City	Passaic				\$810	
Paterson	City	Passaic				-\$943	
		Passaic	Y	2	14		-\$1,634.84
		Salem	N	0	15		-\$818.75
		Somerset	N	0	21		\$4,482.37
		Sussex	N	0	24		\$1,403.05
Elizabeth	City	Union				-\$139	
Hillside	Township	Union				-\$663	
Plainfield	City	Union				\$4,398	
Roselle	Borough	Union				-\$17,161	
		Union	Y	4	17		\$8,981.90
Phillipsburg	Town	Warren				\$1,412	
		Warren	Y	1	21		\$2,128.39
		Statewide		37	528	\$2,777.54	\$3,137.76

Change in unemployment rate from 2007 to 2015 was the final economic indicator compared at the county level. On this measure, the majority of UEZ municipalities — 28 out of 37 — performed better than the weighted average of their non-UEZ counterparts. Municipalities that outperformed the county were Pleasantville, Mount Holly, Gloucester City, West Wildwood, Wildwood, Wildwood Crest, Bridgeton, Millville, Vineland, Bayonne, Guttenberg, Jersey City, North Bergen, Union City, West New York, Trenton, Carteret, New Brunswick, Perth Amboy, Asbury Park, Long Branch, Lakewood, Elizabeth, Hillside, Plainfield, Roselle and Phillipsburg.

Table 7. Change in unemployment rate from 2007 to 2015 for UEZ municipalities and weighted (by population) home county average of Non-UEZ municipalities

UEZ Municipality		County	UEZ	UEZ Mun	Non UEZ	Unemployment Rate (2007 to 2015)	
						UEZ Mun	Non UEZ
Pleasantville	City	Atlantic				3.3%	
		Atlantic	Y	1	22		3.4%
		Bergen	N	0	70		1.0%
Mount Holly	Township	Burlington				0.9%	
Pemberton	Township	Burlington				2.2%	
		Burlington	Y	2	38		1.5%
Camden	City	Camden				1.5%	
Gloucester City	City	Camden				0.4%	
		Camden	Y	2	35		0.8%
North Wildwood	City	Cape May				5.8%	
West Wildwood	Borough	Cape May				2.6%	
Wildwood	City	Cape May				3.6%	
Wildwood Crest	Borough	Cape May				1.9%	
		Cape May	Y	4	12		4.3%
Bridgeton	City	Cumberland				0.5%	
Millville	City	Cumberland				2.2%	
Vineland	City	Cumberland				1.9%	
		Cumberland	Y	3	11		4.0%
City of Orange	Township	Essex				1.6%	
East Orange	City	Essex				1.6%	
Irvington	Township	Essex				1.9%	
Newark	City	Essex				1.0%	
		Essex	Y	4	18		1.5%
		Gloucester	N	0	24		1.8%
Bayonne	City	Hudson				0.6%	
Guttenberg	Town	Hudson				0.5%	
Jersey City	City	Hudson				-0.1%	
Kearny	Town	Hudson				1.2%	
North Bergen	Township	Hudson				0.6%	
Union City	City	Hudson				-0.1%	
West New York	Town	Hudson				-0.2%	
		Hudson	Y	7	5		1.0%
		Hunterdon	N	0	26		1.1%
Trenton	City	Mercer				0.8%	
		Mercer	Y	1	11		1.0%
Carteret	Borough	Middlesex				-0.3%	
New Brunswick	City	Middlesex				0.9%	
Perth Amboy	City	Middlesex				1.4%	
		Middlesex	Y	3	22		1.4%
Asbury Park	City	Monmouth				-1.7%	
Long Branch	City	Monmouth				1.0%	
		Monmouth	Y	2	51		1.5%
		Morris	N	0	39		1.4%
Lakewood	Township	Ocean				0.5%	
		Ocean	Y	1	32		1.6%
Passaic	City	Passaic				1.0%	
Paterson	City	Passaic				2.0%	
		Passaic	Y	2	14		0.7%
		Salem	N	0	15		1.7%

		Somerset	N	0	21		1.5%
		Sussex	N	0	24		1.7%
Elizabeth	City	Union				1.0%	
Hillside	Township	Union				1.0%	
Plainfield	City	Union				1.1%	
Roselle	Borough	Union				1.0%	
		Union	Y	4	17		2.2%
Phillipsburg	Town	Warren				0.0%	
		Warren	Y	1	21		1.0%
		Statewide		37	528	1.3%	1.6%

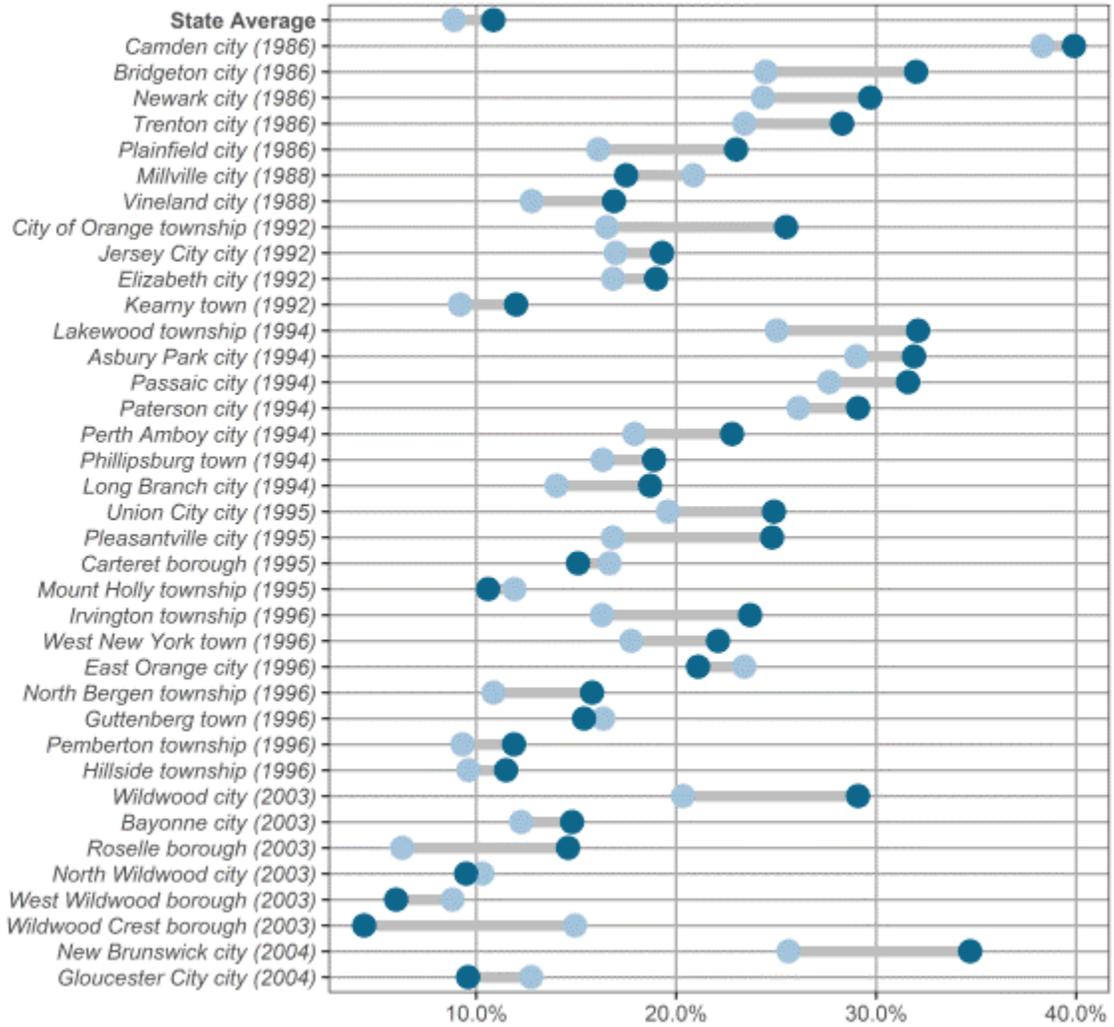
Six municipalities outperformed their respective home county non-UEZ change averages on all three economic measures: Mount Holly, Gloucester City, West Wildwood, Wildwood Crest, Millville and Carteret.

UEZ municipalities followed the same pattern when compared individually to the state change averages for the economic indicators. The majority of UEZ municipalities, 28 out of 37 for average change in poverty rate and 26 out of 37 for average change in median income, performed worse than the state on those indicators. But 27 out of 37 UEZ municipalities did better than the state average change in terms of the unemployment rate. Three municipalities did better than the state average change on all three indicators: Mount Holly, Gloucester City and Carteret.

UEZ Actual Poverty, Median Household Income and Unemployment Figures

All but five UEZ municipalities had a higher percentage of individuals below the poverty line than the state average in 2015 as shown in Figure 1 on page 21. Nine municipalities improved on this measurement from 2007 to 2015: East Orange, Millville, Guttenberg, Carteret, Mount Holly, Gloucester City, North Wildwood, West Wildwood and Wildwood Crest. Dates indicate the year the municipality entered the program.

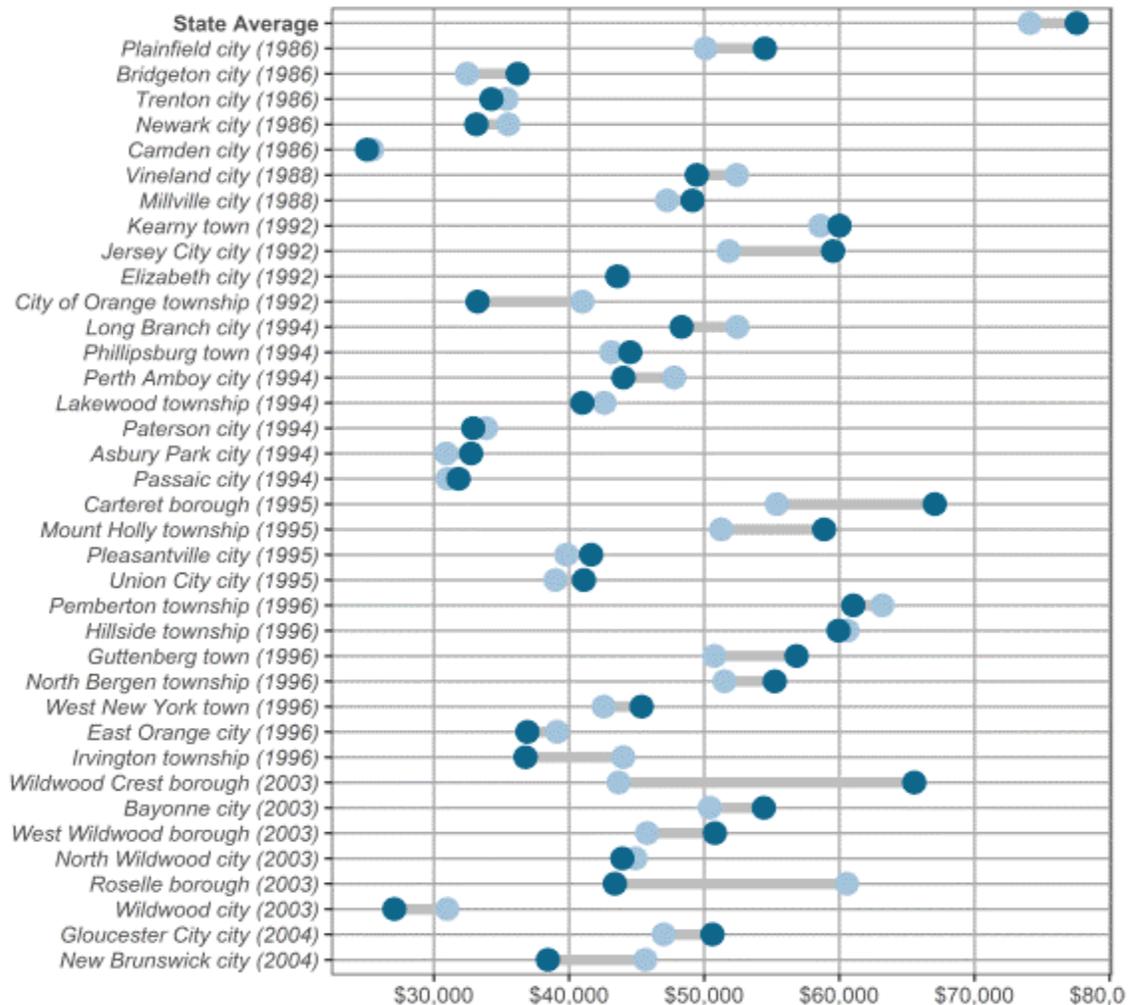
Figure 1. Percent of individuals with incomes below the poverty level in 2007 (light blue) and 2015 (dark blue)



Median Household Income

Figure 2 shows that all UEZ municipalities were significantly below the state median household income in both 2007 and 2015. Twenty municipalities improved on the median household income measure by showing growth from 2007 to 2015. Dates indicate the year the municipality entered the program.

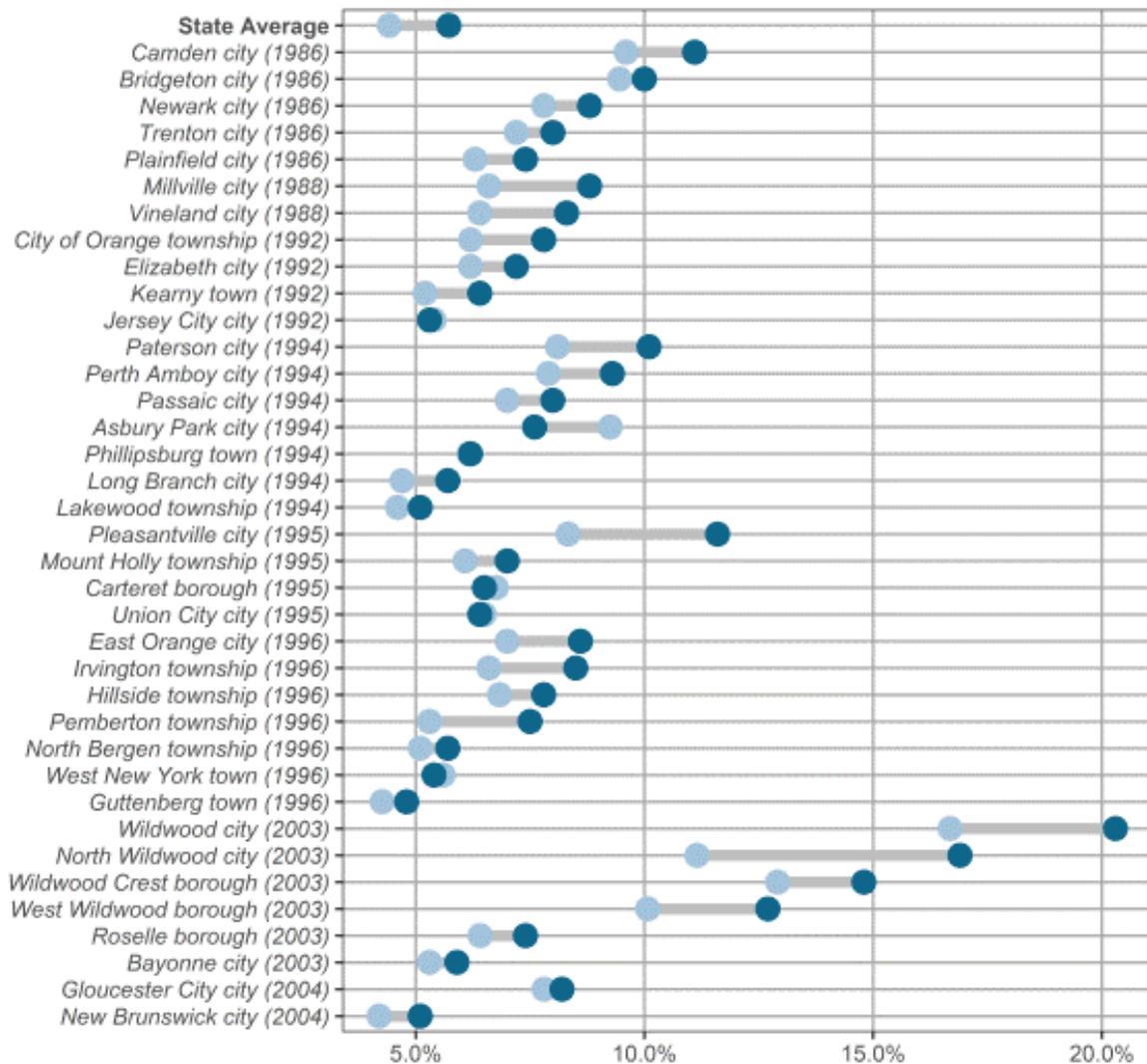
Figure 2. Median household income, 2007 (light blue) and 2015 (dark blue)



Unemployment

Although UEZ municipalities on average saw lower increases in their unemployment rates than the rest of the state, only five UEZ municipalities had a lower unemployment rate than the state in 2015, two had the same rate and the remainder were above the state average as shown in Figure 3. Five municipalities improved their unemployment rate during the review period: Asbury Park, Carteret, West New York, Jersey City and Union City.

Figure 3. Unemployment rate, 2007 (light blue) and 2015 (dark blue)



UEZ Eligibility Criteria and Legislative Intent

New Jersey's UEZ statutory language contains various references to the program's legislative purpose that indicate the primary objectives are to reduce unemployment and poverty and improve economic development and the underlying tax base in municipalities experiencing urban distress.

For the most part, it appears the criteria to designate UEZ municipalities conforms to this purpose, but there are sections of the law that refer only to place and population as a designating criterion. Criteria should focus on legislative purpose so as not to dilute the program by offering it too broadly. In addition, the state should not spend precious resources on communities that are not in need of this type of assistance.

Although the New Jersey Urban Enterprise Zone Authority takes specific factors like unemployment, poverty, existing economic activity and more into consideration when designating the actual zone within the municipality (or municipalities)², the state may consider tighter eligibility requirements for qualifying municipalities. One UEZ coordinator said the state should "eliminate the political process for 'nominating' a potential UEZ (introducing legislation that creates a zone)."

New Jersey's original statutory language for a UEZ qualifying municipality appears to align with the legislative intent of mitigating areas of economic distress marked by "high unemployment, low investment of new capital, blighted conditions, obsolete or abandoned industrial or commercial structures, and deteriorating tax bases."³

The definition for a qualifying municipality in the 1983 law requires an annual average of at least 2,000 unemployed persons and an average annual unemployment rate higher than the state⁴. The 1983 definition also includes municipalities that qualify for state aid under P.L. 1978, c.14 (C.52:27D-178 et seq.)⁵ if the municipality's average annual unemployment rate exceeds the state. The first criteria centers on unemployment and appears to focus more on larger municipalities given the requirement for at least 2,000 unemployed persons. The second criterion

² N.J. Stat. §52:H-65

³ N.J. Stat. § 52:27H-61

⁴ N.J. Stat. § 52:27H-62

⁵ P.L. 1978, c.14(C.52:27D-178 et seq.) qualifications are population exceeding 15,000 or exceeding 10,000 persons per square mile, and the number of ADC children exceeds 350, and there exists publicly financed housing, and the municipality's equalized tax rate exceeds the state equalized tax rate, and the municipality's equalized valuation per capita is less than the state equalized valuation per capita.

considers population, poverty and tax base in addition to unemployment. All these factors are consistent with legislative intent.

Subsequent designations appear to weaken these standards by focusing only on specific population factors. For example, P.L.2001, c.347 §52:27H-66.7 authorizes three zones primarily based on population and location with no mention of unemployment. Despite the focus only on population for the designation of certain more recent zones, at least 32 of the 37 current UEZ municipalities now meet the P.L. 1978, c.14(C.52:27D-178 et seq.) standards as evidenced by their appearance on the state's 2020 Urban Aid Municipalities list. In addition, as previously discussed, all but one UEZ municipality was in the bottom 20 percent of the MRI rank, with the majority in the bottom 10 percent, and the vast majority exceeded the state's unemployment average.

Although most of the municipalities appear to be appropriately placed in the program based on legislative purpose, the state should consider establishing a single criterion for all UEZ municipalities based on adherence to legislative intent and need rather than simply population and place. Two good examples of additional benchmarks that could be applied and that already exist are the state Urban Aid list and the Municipal Revitalization Index. In particular, the MRI provides rankings based on unemployment, poverty and median household income, which goes to a major legislative intent for the program.

Another factor to consider is the number of zones, which is now limited to 32 which exist across 37 municipalities. Again, the state should be careful not to dilute the impact of the program by designating too many zones or by going too far afield from the urban areas that it is intended to help, a lesson Ohio learned that is outlined in Chapter 8 of this Assessment.

Zone Extension and Exit Criteria

The length of time in the UEZ Program warrants review for both the municipality and the participating businesses. Current language allows for virtual automatic extension of a UEZ for an additional 16 years if the municipality continues to meet the law's qualifying criteria regarding exceeding the state's unemployment rate. Termination only occurs if the municipality fails to meet the qualifying criteria for three years.⁶

Businesses maintain certification by staying at their current zone location and remaining in tax compliance with the New Jersey Division of Taxation. Every three years, businesses are

⁶ 52:27H-66.6

subject to an employment requirement but only those with 50 or more employees must hire one full-time employee. Other businesses “may” be required to hire additional employees, according to the procedures, while businesses with zero to five employees are excluded from the requirement. In addition, businesses undergoing their first recertification generally must satisfy a “25 Percent Factor” that stipulates 25 percent of newly hired employees must satisfy one of several criteria.⁷

UEZ municipalities and businesses have a low bar to scale in order to remain in the program. As a result, no municipalities have “graduated” out of UEZ and some businesses have enjoyed the benefits for 30 years.

Allowing businesses an advantage that lasts for decades is questionable and raises the issue of whether the business is viable or is simply being propped up by the state at the significant cost of lost tax revenue. Generally, economic development place-based programs in other states that were reviewed as part of this Assessment sunset the benefit to businesses after 10 years, and it is recommended that New Jersey consider a similar limit.

In terms of the municipalities themselves, as noted previously, most are still exhibiting the type of challenges with unemployment, poverty and blight that originally put them in the program. However, there are indications that the program has helped on issues like unemployment, even if it has not solved the problem completely. It is also unlikely that any one program can singularly lift these municipalities out of distress given the number of issues they face. How does the state define success? There are signs that the UEZ Program is mitigating issues even if it is not completely solving them, which suggests that it is one of many tools that the state can provide to distressed municipalities. Still, this tool should be limited to municipalities that really need it, again because it costs the state money and because allowing it too widely weakens the benefit. The state could consider introducing more defined benchmarks from existing programs like the MRI and the Urban Aid List as exit criteria.

⁷ Urban Enterprise Zone Program Procedures, p. 4

CHAPTER 3: NET ECONOMIC IMPACT OF URBAN ENTERPRISE ZONES

An analysis of New Jersey's Urban Enterprise Zone program from 2013 to 2018 shows that the program has generated increased economic activity in New Jersey. Over the past five years, participating businesses have experienced more robust growth than businesses that do not participate in the program. The program has also attracted new businesses to the state that would otherwise not have moved to New Jersey. A portion of the increased economic activity caused by the program is subject to New Jersey taxes, generating new revenues for the State.

Program Overview

The New Jersey Urban Enterprise Zone Program has existed since 1983 and consists of 32 designated zones across the state. Businesses that participate in the program are entitled to several incentives:

- **Reduced Sales Tax** — Participating UEZ businesses may charge a reduced sales tax rate of 3.3125 percent on purchases made in the zone, compared to the 6.625 percent sales tax for all other businesses.
- **Tax-Free Purchases on Some Items** — Participating UEZ businesses may purchase some taxable goods and services, such as capital equipment, facility expansion, and other property upgrades, tax-free.
- **Corporate Business Tax Credit** — Participating UEZ businesses are eligible for a one-time \$1,500 Corporate Business Tax credit per employee for hiring full-time employees who are residents of the municipality in which the zone is located. The new employee must have been unemployed for at least 90 days or be dependent upon public assistance.
- **Insurance Subsidies** — Participating UEZ businesses are eligible for subsidized unemployment insurance for employees earning less than \$4,500 per quarter.
- **Energy Sales Tax Exemption** — Participating UEZ manufacturing businesses with at least 250 employees are eligible for exemption from sales taxes on electricity and natural gas.

Net Economic Impact Defined

A key question arising as a result of implementing these incentives is whether the incentives result in new economic activity in New Jersey that would not have occurred if the program did not exist. In economic impact modeling, this activity is often referred to as “net new” economic activity. The net economic impact of the program is quantified in terms of:

- Increased output (sales) by businesses;
- Increased household earnings; and
- Increased employment.

Approach

This analysis measures the net economic impact of the UEZ Program over a five-year period – from 2013 through 2018 – by quantifying the amount of net new economic activity in New Jersey caused by the program. This analysis utilizes two approaches to quantify this activity. First, the analysis quantifies net new economic activity associated with existing business growth. Second, this analysis quantifies net new activity associated with firms moving into UEZs from out of state.

The first approach uses a difference-in-difference analysis to compare the economic performance of firms that participate in the UEZ to firms that are eligible to participate in the UEZ but choose not to. The UEZ Program lends itself well to this type of comparison. UEZ participants must register or recertify themselves to participate in the program each year, and only a portion of firms located in each UEZ choose to participate in the program. As a result, participating firms are located in the same geographic area as nonparticipating firms. In the analysis, it is assumed that differences in growth rates between participating and nonparticipating firms are attributable to the UEZ Program.⁸

The second approach quantifies the economic activity of firms that moved into the zone from out of state. The economic activity caused by businesses that move into New Jersey specifically to take advantage of the program is new economic activity that would not have occurred if there was no program. The overall net economic impact of the program is the sum of net new economic activity caused by faster growth among participating businesses and businesses moving in from out of state.

⁸ Difference-in-difference analyses provide a straightforward method of analyzing the impacts of the UEZ Program. Nevertheless, difference-in-difference analyses are subject to some limitations. These limitations are listed later in this chapter.

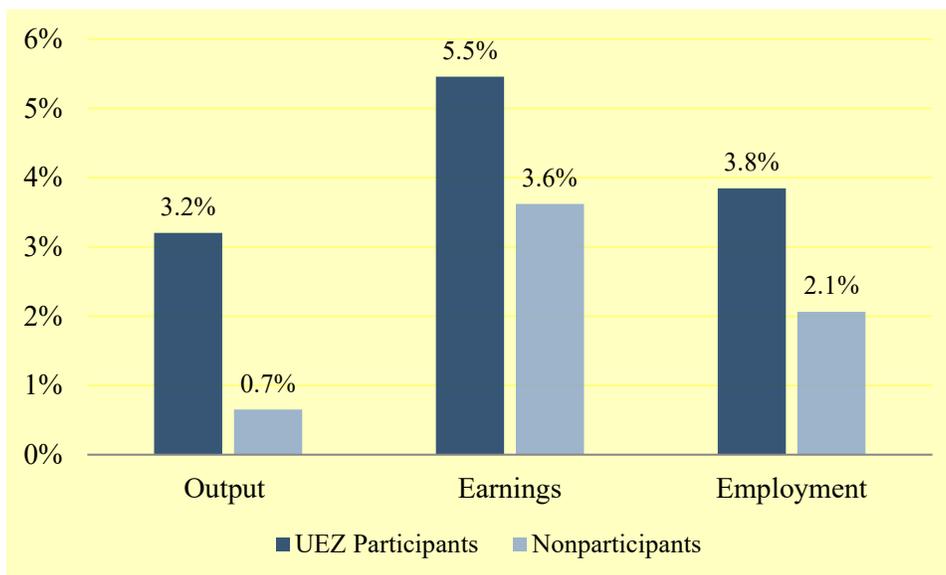
- Economic indicators were examined for participating and nonparticipating firms at an aggregate, two-digit North American Industry Classification System (NAICS) level. This was the most precise level of data provided by the New Jersey Departments of Treasury and Labor for the analysis.

The analysis includes both direct and indirect economic impacts. Direct impacts are those impacts that are *caused* by participating UEZ businesses. This includes employees hired and paid by participating and move-in businesses as well as sales by those firms. Indirect impacts are those increases in output, earnings, and employment that occur as direct expenditures circulate throughout the state's economy.

To complete the analysis, data was obtained from the New Jersey Department of Treasury, New Jersey Department of Labor and Workforce Development, and the New Jersey Department of Community Affairs Urban Enterprise Zone program database. Gross receipt data was used from the Department of Treasury as a proximate measure for output. Payroll spending data was used from the Department of Labor as a proximate measure of earnings and employment data from the Department of Labor as a measure of employment. For a complete discussion of the methodology, see Appendix A.

The analysis shows that, on average, between 2013 and 2018, businesses that participated in the UEZ Program experienced faster output, earnings, and employment growth than businesses that did not participate in the program. The compound annual growth rates for participating and nonparticipating businesses for each measure are shown in Figure 4 on page 30.

Figure 4. Compound annual growth rate for output, earnings, and employment for UEZ participants and nonparticipants, 2013-2018



Source: Anderson Economic Group analysis of base data from New Jersey Department of Treasury, New Jersey Department of Labor and Workforce Development, New Jersey Department of Community Affairs.

Output Impact of the UEZ Program

Between 2013 and 2018, New Jersey output (sales) by participating businesses grew by 3.2 percent annually on average, while output at businesses located in UEZs that were not participating in the program grew by 0.7 percent annually. In 2013, UEZ business output in New Jersey was estimated at \$2.8 billion, growing to \$3.4 billion by 2018.⁹ If participating businesses had experienced output growth at the same rate of output growth as nonparticipating businesses, total output would have only increased to \$2.9 billion or \$485 million less. Over five years, the UEZ Program resulted in \$96.9 million in additional direct output by UEZ participants each year. This increase in direct output led to a \$98.3 million annual increase in indirect output, for a total output impact of \$195.2 million per year.

In addition to generating faster output growth for participating businesses, the UEZ Program also attracted firms to move to New Jersey to take advantage of the zone’s benefits. Net new output generated by businesses moving into the zone was approximately \$25.6 million per year. This increase in output also resulted in an indirect increase in output for New Jersey businesses of \$25.7 million annually, for a total output impact of \$51.2 million per year.

⁹ The analysis excludes some industries with anomalous data or small output totals. For more information on excluded industries, see Appendix A.

The average annual output impact of the UEZ Program is shown in Table 8. The net new output impact of the UEZ Program averaged \$246.5 million per year between 2013 and 2018.

Table 8. Average annual output impact of UEZ Program, by impact source

Source	Direct (millions)	Indirect (millions)	Total (millions)
Existing Business Growth	\$96.9	\$98.3	\$195.2
Move-in Firms	\$25.6	\$25.7	\$51.2
Total	\$122.5	\$124.0	\$246.5

Source: Anderson Economic Group analysis of base data from New Jersey Department of Treasury, New Jersey Department of Labor and Workforce Development, New Jersey Department of Community Affairs, U.S. Bureau of Economic Analysis RIMS II Multipliers.

Earnings Impact of the UEZ Program

Between 2013 and 2018, payroll at businesses participating in the UEZ Program grew by 5.5 percent annually on average, while payroll at businesses not participating in the program grew by 3.6 percent annually. In 2013, UEZ businesses reported \$2.8 billion in annual payroll, growing to \$3.7 billion by 2018.¹⁰ If participating businesses had grown at the same rate of payroll growth as nonparticipating businesses, payroll would have increased to \$3.4 billion or \$275.3 million less. Over five years, the UEZ Program resulted in \$55.1 million in additional direct wages paid each year. This direct increase in payroll resulted in an indirect earnings increase of \$39.2 million per year, for a total earnings impact of \$94.3 annually.

In addition to generating faster earnings growth for participating businesses, the UEZ Program also attracted firms to move to New Jersey to take advantage of the zone's benefits. Net new earnings generated by businesses moving into the zone were approximately \$180.0 million per year. This increase in earnings also resulted in an indirect increase in earnings for N.J. residents of \$235.8 million annually, for a total earnings impact of \$415.8 million per year.

The average annual earnings impact of the UEZ Program is shown in Table 9 on page 32 below. Altogether, the net new earnings impact of the UEZ program averaged \$510.1 million per year between 2013 and 2018.

¹⁰ The analysis excludes some industries with anomalous data or small earnings totals. For more information on excluded industries, see Appendix A.

Table 9. Average annual earnings impact of UEZ Program, by impact source

Source	Direct (millions)	Indirect (millions)	Total (millions)
Existing Business Growth	\$55.1	\$39.2	\$94.3
Move-in Firms	\$180.0	\$235.8	\$415.8
Total	\$235.1	\$275.0	\$510.1

Source: Anderson Economic Group analysis of base data from New Jersey Department of Treasury, New Jersey Department of Labor and Workforce Development, New Jersey Department of Community Affairs, U.S. Bureau of Economic Analysis RIMS II Multipliers.

Employment Impact of the UEZ Program

Between 2013 and 2018, employment at businesses participating in the UEZ Program grew by 3.8 percent annually on average, while employment at businesses not participating in the program grew by 2.1 percent annually. In 2013, UEZ businesses accounted for 51,282 jobs, growing to 61,923 jobs by 2018.¹¹ If participating businesses had grown at the same rate of employment growth as nonparticipating businesses, employment would have increased to only 55,159 jobs, meaning that, over five years, the UEZ Program resulted in 6,764 more direct job-years or an average of 1,353 more jobs annually. The direct increases in employment due to the UEZ Program also resulted in an indirect employment increase of 1,500 job-years, for a total employment impact of 2,852 jobs annually.

In addition to generating increased growth for participating businesses, the UEZ Program also attracted firms to move to New Jersey to take advantage of the zones' benefits. Between 2013 and 2018, it is estimated that UEZs added roughly 18,750 jobs from out-of-state businesses locating in the zone. An estimated 8.6 percent of these jobs created by out-of-state firms would not otherwise have been created in New Jersey in the absence of the program, meaning that businesses moving into the zone accounted for approximately 1,307 new jobs to the state annually. These new direct jobs had an average annual indirect impact of 2,107 jobs per year, for a total employment impact from move-in firms of 3,414 jobs per year.

The overall employment impact of the UEZ Program is shown in Table 10 on page 33. The UEZ Program resulted in an average employment impact of 6,266 jobs per year over the last five years.

¹¹ The analysis excludes some industries with anomalous data or small employment totals. For more information on excluded industries, see Appendix A.

Table 10. Average annual earnings impact of UEZ Program, by impact source

Source	Direct	Indirect	Total
Existing Business Growth	1,353	1,500	2,852
Move-in Firms	1,307	2,107	3,414
Total	2,659	3,607	6,266

Source: Anderson Economic Group analysis of base data from New Jersey Department of Treasury, New Jersey Department of Labor and Workforce Development, New Jersey Department of Community Affairs, U.S. Bureau of Economic Analysis RIMS II Multipliers.

Overall Net Economic Impact

Summary figures from the analysis are shown in Table 11. The average annual impact of the program on output was \$246.5 million, while the average annual impact on earnings was \$510.1 million. The average annual employment impact was 6,266 jobs per year.

Table 11. Average annual net economic impact of UEZ businesses, 2013-2018

Impact Type	Direct	Indirect	Total
Output (millions)	\$122.5	\$124.0	\$246.5
Earnings (millions)	\$235.1	\$275.0	\$510.1
Employment	2,660	3,607	6,266

Source: Anderson Economic Group analysis of base data from New Jersey Department of Treasury, New Jersey Department of Labor and Workforce Development, New Jersey Department of Community Affairs, U.S. Bureau of Economic Analysis RIMS II Multipliers.

Economic Impact Assessment Limitations

- This analysis examines the economic impact of the UEZ Program over a five-year time frame, but the program has existed for more than 30 years. The program has evolved during this time, most recently in 2011 when legislation expanded the sales tax exemption to all qualified UEZ businesses. A positive economic impact over the past five years does not necessarily mean that the economic impact of the program has been positive since inception. No assumptions are made about the effectiveness of the program prior to 2013.
- The analysis does not gauge the extent to which UEZ businesses utilized UEZ benefits. The analysis compares businesses that registered or recertified for the program between 2013 and 2018 to those that did not. It is possible that some businesses that registered or recertified for the program did not actively use UEZ benefits.
- The characteristics of UEZ participant businesses may be different from nonparticipating businesses in a way that could materially affect the analysis. For example, participating

businesses may be in better financial standing than nonparticipating businesses, giving them an advantage over nonparticipating businesses for reasons unrelated to the program.

- Establishment-level data could not be examined for the analysis. Sales, employment, payroll, and tax collections data was obtained from the Departments of Treasury and Labor. These data were aggregated at the two-digit NAICS industry level. Because no data was received on an establishment level, statistical significance tests could not be conducted to determine the statistical significance of different growth rates for participating and nonparticipating businesses. To account for this limitation, industries that fell below certain benchmark thresholds for output, employment, and earnings were removed.¹²
- Inconsistencies were found in employment totals reported by each data source (Department of Labor, Department of Community Affairs, and Department of Treasury). These inconsistencies do not necessarily mean data from one or more departments is incorrect since each department defines and counts employees differently. For the most part, directional trends in employment in each industry were consistent across the three data sources. However, there was one instance in which data trends for the Information industry were significantly different between Treasury and Labor data, leading to the exclusion of the industry from the analysis. If the Information industry was included in the analysis, the output and employment impacts of the program would have remained positive, while the earnings impact would have been much smaller. Without knowing more about the characteristics of firms in this industry, there was no way to determine why employment trends differed significantly among each data source.
- The Department of Labor was not able to match all businesses identified as UEZ participants based on the Department of Community Affairs' UEZ database, thus the economic impact estimates may be lower or higher than actual impacts. For more information on data collection and record matching, see Appendix A: Data and Methodology.
- Gross receipts data provided by the Department of Treasury includes gross receipts only for establishments that report revenues on an establishment-by-establishment basis, and does not include receipts data for multi-establishment businesses that report all revenue at

¹² For more information on excluded industries, see Appendix A.

one location. It is not clear to what extent this affects output estimates. Some chain businesses, for example, may not report gross receipts as an individual entity, and instead report all revenue at one location.

Fiscal Impact of UEZ Program

The tax incentives provided by the UEZ Program come at a cost to the State in the form of foregone tax revenue. The increased economic activity caused by the program generates new tax revenue for the State that would otherwise not have occurred in the absence of the program. Due to incomplete information, it was not possible to determine the overall net fiscal impact of the UEZ Program. In this section, the incentive costs and benefits are quantified where available data could be identified.

Sales Tax Incentive

One of the largest tax incentives that UEZ firms enjoy is a 50 percent sales tax reduction for sales occurring in their UEZ. Between 2013 and 2018, the State of New Jersey forwent collecting \$609.5 million in sales tax from participating businesses due to this incentive. This does not mean, however, that the cost of sales tax incentive to the State over the last six years was \$609.5 million. Indeed, if the UEZ Program had not existed, UEZ firms would not have grown as quickly over the last five years, and some of the businesses that moved into UEZs from out of state would not have moved to New Jersey. The increased growth of UEZ businesses and the activity of move-in businesses generated some sales tax revenue that would not have otherwise been generated in the absence of the program.

After accounting for the lower rate of economic growth and fewer businesses that would have moved into New Jersey between 2013 and 2018 if the program had not existed, tax revenue from UEZ businesses would have been \$1.1 billion. Thus, the sales tax impact of the program was a net loss of \$531.6 million in revenue over six years, or \$88.6 million annually, as shown in Table 12 below.

Table 12 Net impact of UEZ reduced sales tax incentive, 2013-2018

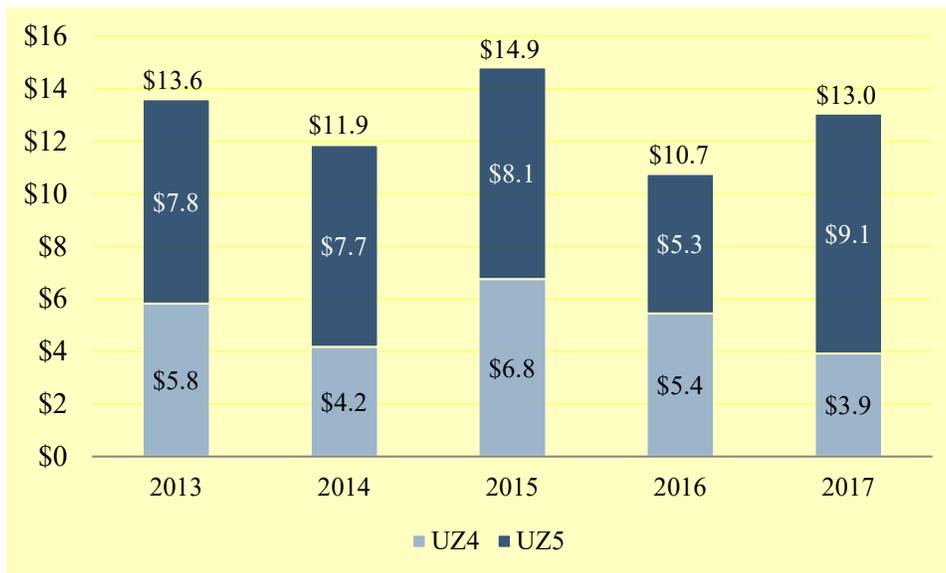
Impact Type	2013-2018 Impact	Average Annual Impact
Actual Sales Tax Collections	\$609.5	\$101.6
Less, Estimated Sales Tax Collections Without Program	\$1,141.1	\$190.2
Net Sales Tax Incentive Impact	(\$531.6)	(\$88.6)

Source: Anderson Economic Group analysis of base data from New Jersey Department of Treasury, U.S. Bureau of Economic Analysis RIMS II Multipliers, U.S. Bureau of Labor Statistics Consumer Expenditure Survey.

Capital Investment Incentive

In addition to charging a lower sales tax rate to UEZ customers, participating businesses are also allowed a tax exemption for expenditures on capital improvements, including purchases made directly by the UEZ business (known as the “UZ5” exemption) or those made by contractors employed by UEZ businesses (known as the “UZ4” exemption). Between 2013 and 2017, UEZ businesses reported expenditures of \$968 million on capital improvements that would have otherwise been subject to sales tax, or an average annual expenditure of \$194 million annually. This amounts to a total tax savings for UEZ participants of \$64 million over five years, or \$12.8 million annually. The total tax savings for UEZ businesses by exemption type and year are shown in Figure 5 below.

Figure 5. UEZ Program UZ4 and UZ5 tax expenditures, 2013-2017 (millions)



Source: Anderson Economic Group analysis of base data from New Jersey Department of Community Affairs.

Other Incentives

Data for other incentives offered by the UEZ, including UEZ participant business tax-free purchases, subsidized unemployment insurance, energy sales tax credits, and CBT credits, was not available.

Increased Tax Collections due to the UEZ

The additional economic activity spurred by the UEZ generates additional tax revenue for the State of New Jersey as new employees pay income tax to the state and spend their earnings

on taxable goods and services. Increased sales by businesses also generate additional CBT revenue for the state. In this section, the impact of increased sales and individual income tax collection on the state is quantified.

Sales Tax Impact

The new payroll spending attributed to the UEZ Program means more dollars for New Jersey residents to spend on goods and services. A portion of this spending went toward taxable goods and services. The estimated net earnings impact of the UEZ Program was \$510.1 million annually between 2013 and 2018. Approximately 98 percent of this income was likely spent (not saved), and 33.6 percent of this amount was subject to New Jersey sales tax.¹³ Based on this information, the average annual sales tax impact of the UEZ due to increased household earnings over the last five years is an estimated \$168.0 million annually.¹⁴

Income Tax Impact

The increased earnings created by the UEZ Program also resulted in increased income taxes paid to the state. New Jersey has a progressive income tax structure, with an effective income tax rate of 3.0 percent.¹⁵ An income tax of 3.0 percent on increased earnings would amount to an average income tax impact of \$15.3 million annually.

Corporation Business Tax Impact

The UEZ Program resulted in increased sales by businesses in New Jersey, likely meaning increased CBT collections for the state. Adequate information on total CBT payments and exemptions to estimate the impact of increased output on CBT revenues could not be obtained.

¹³ For more information, see Jason Horwitz and Judy Zhang, "2018 State Business Tax Burden Rankings," Anderson Economic Group, LLC.

¹⁴ The sales tax impact from increased spending could be smaller if employees spend their earnings in a UEZ with a 50 percent sales tax incentive. This analysis does not account for any reduced sales tax revenue from earnings spent in UEZs.

¹⁵ New Jersey Department of Treasury Statistics of Income, 2018.

Overall Fiscal Impact

The fiscal impacts of the UEZ Program that could be quantified are shown in Table 13 below.

Table 13 Annual fiscal impact of UEZ Program, 2013-2018

Impact Type	Estimated Annual Value (millions)
Sales Tax Incentive	(\$88.6)
Investment Incentive	(\$12.8)
Increased Income Tax Collected	\$15.3
Increased Sales Tax Collected Due to Increased Employment	\$168.0

Source: Anderson Economic Group analysis of base data from New Jersey Department of Treasury, New Jersey Department of Labor and Workforce Development, New Jersey Department of Community Affairs, Anderson Economic Group, U.S. Bureau of Economic Analysis RIMS II Multipliers, U.S. Bureau of Labor Statistics Consumer Expenditure Survey.

Fiscal Impact Assessment Limitations

The fiscal impact analysis is subject to several important limitations. The foundation of the fiscal impact analysis is the economic impact analysis, therefore all of the limitations outlined in the Economic Impact Assessment Limitations section also apply to the fiscal impact analysis. This includes a lack of establishment-level tax collections data, and the Department of Treasury only being able to match a portion of firms identified as UEZ participants with tax records. It should also be noted that the Information industry was excluded from the difference-in-difference analysis after identifying conflicting employment trend data among multiple data sources. If this industry was included, the earnings impact of the program would be close to zero, or potentially negative, meaning that there would be no increased income tax collected or increased sales tax collected due to increased UEZ business spending on payroll. Secondly, this analysis does not quantify the costs of some incentives due to a lack of data.

**CHAPTER 4:
UEZ ADMINISTRATION**

The New Jersey Urban Enterprise Zone (UEZ) Program is administered by the New Jersey Urban Enterprise Zone Authority (“the Authority” or “UEZA”), which was established by the New Jersey Urban Enterprise Zones Act of 1983 and allocated to the New Jersey Department of Community Affairs.¹⁶ The UEZA and its nine-member board are vested with the responsibilities of disseminating the criteria for zone designation pursuant to enabling legislation¹⁷ and for managing the program.

In its current state, the UEZA’s nearly sole function is to manage the certification and recertification processes that govern entry into the program and continuation of program benefits for participating businesses. The major responsibility of a majority of UEZA staff is to review the program’s certification, annual reporting, and recertification applications.

UEZ Authority Staff

According to UEZA records, authorized staffing and budget figures have remained consistent for the UEZA since the reduction from 19 authorized staff in FY 2011 to nine authorized staff in FY 2012.

Table 14. UEZ staffing and budgets, FY 2010-2019

FY	Estimate (\$)	Expended (\$)	Authorized FTE	Filled FTE¹⁸
2010	2,685,000	1,899,056	19	19
2011	2,500,000	2,225,513	19	19
2012	1,650,000	1,278,577	9	9
2013	1,350,000	1,170,118	9	9
2014	1,350,000	1,022,763	9	8
2015	1,350,000	857,010	9	7
2016	1,350,000	860,988	9	7
2017	1,350,000	1,001,354	9	7
2018	1,350,000	892,901	9	6
2019	1,350,000	1,212,853	9	8

The title of positions filled per fiscal year is available going back to FY2014 as shown in Table 15 on page 40. The Program Technician and the four Technical Assistants process

¹⁶ NJ Rev Stat § 52:27H-64 (2013).

¹⁷ NJ Rev Stat § 52:27H-65 (2013).

¹⁸ Filled Full-Time Equivalent (FTE) counts as of January in the corresponding fiscal year.

program applications, which represent most of their day-to-day responsibilities. The Executive Assistant maintains the minimal local presence the office has by visiting with local coordinators quarterly and, when the need arises, training new local coordinators. The Executive Assistant also participates in the review of program applications, though this represents a smaller portion of the position’s duties compared to the aforementioned staff.

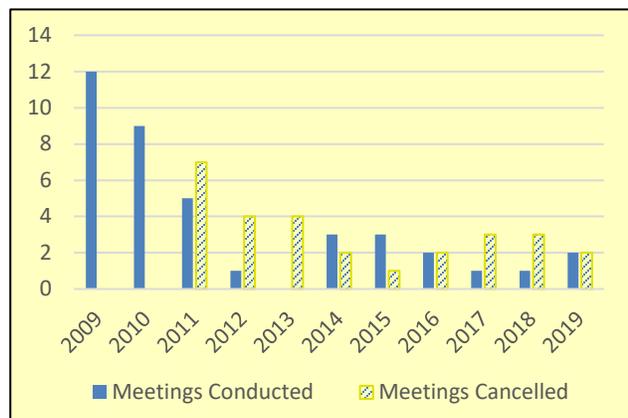
Table 15. UEZ staff positions filled by year

Position	2014	2015	2016	2017	2018	2019
Executive Director	1	0	0	0	0	1
Technical Assistant	4	4	3	3	2	4
Administrative Assistant	1	1	1	1	1	1
Program Technician	0	0	1	1	1	1
Executive Assistant	1	1	1	1	1	1
Admin Analyst	1	1	1	1	1	0
Total	8	7	7	7	6	8

UEZ Authority Board

The New Jersey Urban Enterprise Zone Authority Board (“the Board”) is a nine-member board that oversees the program. Board membership consists of five public members appointed by the governor and four ex officio members from the New Jersey Economic Development Authority and the New Jersey Departments of Labor and Workforce Development, Treasury, and Community Affairs. Public members serve staggered five-year terms and at least one public member must reside within an active Zone.¹⁹ There have been chronic vacancies on the part of public membership to the Board: only three public members were on the Board at the beginning of FY 2019, with one of these positions recently filled. Additionally, the terms of three public members have been extended beyond the five years to which they were appointed due to the lack of subsequent nominations.

Historically, the Board was tasked with reviewing and approving funding for



¹⁹ NJ Rev Stat § 52:27H-63 (2013)

UEZ activities at the local level, notably the use of Zone Assistance Funds (ZAFs). With the elimination of ZAFs, the Board has become much less active, according to state officials and records. Indeed, inspection of the UEZ website's Meetings and Agendas & Minutes page indicate no more than two meetings have been conducted in one calendar year since 2016, and a majority of meetings have been cancelled since 2011.²⁰ The predominant matter discussed at the meetings conducted in the past few years has been the annual UEZ audit.

Administrative Costs

As noted earlier, the state expenditures for UEZA operations totaled \$1.2 million in FY2019 and have averaged approximately \$1 million annually since the program was altered in 2012.

The costs of administering the UEZ Program per zone were tracked in the ZAFs era when the reduced sales tax proceeds were reinvested into the Zones. The elimination of Zone Assistance Funds funding left host municipalities to cover any future administration costs locally as well as the incentive for the State to track these expenditures explicitly. Currently, the accounting for administrative commitments is sparse, for it rare that a local position is solely dedicated to the UEZ Program. UEZA officials have noted a wide variety of local commitments from active to inactive, with the staff person assigned as UEZ Coordinator typically devoting a small minority of their work to the program.

A review of publicly available municipal budgets and audits further illustrates the reduced level of local administration. It is rare for "UEZ" or the "Urban Enterprise Zone" to appear explicitly in a municipal Current Fund budget document. When UEZ costs do appear in Current Fund budgets, the appropriations are typically matched dollar-for-dollar by revenue with the same line item description.

²⁰ See: <https://www.nj.gov/dca/affiliates/uez/meetings/>.

Table 16. Municipal budgets with explicit UEZ appropriations

Municipality	County	Current Fund Appropriations (\$)	Purpose	Year	Note
Kearny	Hudson	5,730	Pedestrian Traffic Signal Grant	2018	Matching Revenue
		71,645	Public Safety Project	2018	Matching Revenue
		18,565	Clean Project	2018	Matching Revenue
		190,000	Administration Costs	2018	Matching Revenue
Lakewood Township	Ocean	65,500	Business to Business Networking Initiative	2018	Matching Revenue
		60,000	Basic Business Tools Training	2018	Matching Revenue
		100,000	Business Attraction Initiative 8	2018	Matching Revenue
		325,000	2019 Management and Administration Grant	2018	Matching Revenue
Long Branch	Monmouth	60,000	Salaries and Wages	2019	
		3,380	Other Expenses	2019	
Mount Holly Township	Burlington	50,000	Police Patrol	2018	Matching Revenue
		22,000	Administration	2018	Matching Revenue
Paterson	Passaic	324,200	Administration	2019	Matching Revenue
Plainfield	Union	125,000	UEZ Marketing Plan	2019	Matching Revenue
		500,000	UEZ - North Avenue Project	2019	Matching Revenue
Pleasantville	Atlantic	800,000	Public Safety Police	2019	Matching Revenue
		250,000	Direct Loan Program	2019	Matching Revenue
West New York	Hudson	122,000	HCIA Loan Payment-UEZ	2019	Matching Revenue

This suggests that a fair amount of UEZ activities are funded by remaining monies in the form of second generation funds or remaining balances from the unspent Zone Assistance Funds. Municipalities like Elizabeth have UEZ reserves accounted for among its trust funds. According to its 2019 audit, Elizabeth had \$2,087,905 of unappropriated UEZ reserves at the end of FY 2018 as shown in Exhibit B-12 below:

Exhibit B-12

CITY OF ELIZABETH

Schedule of Unappropriated Reserve

UEZ Trust Fund

Year ended June 30, 2019

Balance, June 30, 2018	\$ <u>2,087,905</u>
Increased by:	
Interest received in General Trust - 2nd Generation	32,907
Cancellation of appropriated reserves	<u>—</u>
	<u>32,907</u>
	2,120,812
Decreased by:	
Transfer to appropriated reserves	<u>729,265</u>
Balance, June 30, 2019	\$ <u><u>1,391,547</u></u>

\$729,265 of these reserves were appropriated toward Commercial District Security initiatives and a UEZ Administrative Budget per Exhibit B-21.

Exhibit B-21

CITY OF ELIZABETH

Schedule of Appropriated Reserve - UEZ

UEZ Trust Fund

Year ended June 30, 2019

	Balance June 30, 2018	Appropriated	Paid by General Trust	Balance June 30, 2019
UEZ Marketing Plan	\$ 75,850	—	1,600	74,250
UEZ 09-151 Midtown Area Sewer Rehab	11,920	—	—	11,920
Commercial District Security FY-2018	—	258,918	126,575	132,343
Administrative Budget FY - 2017	13,567	—	—	13,567
UEZ Administrative Budget FY - 2018	261,777	—	249,356	12,421
UEZ Administrative Budget FY - 2019	—	470,347	200,000	270,347
UEZ - Historic Clock Restoration	<u>102,000</u>	<u>—</u>	<u>102,000</u>	<u>—</u>
	\$ <u><u>465,114</u></u>	<u><u>729,265</u></u>	<u><u>679,531</u></u>	<u><u>514,848</u></u>

Elizabeth is also one example of a municipality with existing and active second-generation reserve, with \$2.95 million in unappropriated reserves and active lending program.

Exhibit B-22

CITY OF ELIZABETH
Schedule of Reserves - 2nd Generation
Other Trust Fund
Year ended June 30, 2019

	Balance June 30, 2018	Transfer	Cash Received	Cash Disbursed	Balance June 30, 2019
Unappropriated Reserves	\$ 701,866	(276,998)	2,527,340	—	2,952,208
Appropriated Reserves					
UEZ 2019 Financial Lending Program	\$ —	276,998	—	200,000	76,998
UEZ 2018 Financial Lending Administration	139,031	—	—	100,000	39,031
UEZ Financial Lending Program PHII	1,768,327	—	—	975,556	792,771
	\$ 1,907,358	276,998	—	1,275,556	908,800

The Enterprise Zone Development Corporation of Vineland and Millvale also maintains a substantial portfolio of UEZ reserves and loan activities. According to the City of Vineland’s 2018 audit, the joint Development Corporation’s loan principal receivable balance was \$77.6 million.

As such, it is difficult to ascertain the cost to taxpayers for local administration of the Urban Enterprise Zones. The lack of Current Fund budgeting of these costs suggests that, when appropriated, these costs are often offset by existing second-generation (or remaining ZAFs) reserves. It is also likely that, for largely inactive zones, UEZ activities account for a marginal proportion of time and materials for a small subset of municipal operations.

Certification and Recertification Processes

As with many aspects of the UEZ Program, the way businesses enter and recertify as program participants has changed substantially since the State last commissioned a review of the program in 2011. In that Assessment, the certification processes was cited as cumbersome, creating burdensome administrative costs to the program while discouraging businesses from participating.²¹ At that time, the certification process required the completion of at least eight forms; UEZ field representatives travelled to each business location to ensure they operated

²¹ New Jersey Urban Enterprise Zone Program Assessment (2011) p. 22.

within UEZ boundaries; and multiple internal State reporting systems created redundancies and hampered the ability to certify businesses efficiently.²²

Currently, all applications (certification, annual reporting, and recertification) are processed online through the State of New Jersey Premier Business Services (PBS) portal, which is billed as a “one-stop shop” for electronic tax filing and payment services. Once a user creates a PBS account and adds at least one business to the account,²³ the user can process UEZ applications (PDF samples of these applications are available in Appendix H).

Unlike the realities of pre-2011 processing, the current application processes are nearly exclusively handled by UEZA staff. Because of the “one-stop shop” nature of the PBS system, applicants with tax compliance issues are automatically flagged for UEZA staff rather than requiring manual review by the Department of Treasury. Local UEZ coordinators, once a gateway of the paperwork process between local businesses and the UEZA staff, have been effectively eliminated from the process.²⁴ The role of the Department of the Treasury’s Division of Revenue is largely limited to processing program packets for approved applications once a week.

Certification Application Process

Upon the start of the application, applicants are provided a snapshot of their business information (pre-populated based on their PBS account information) and a map showing the business location. The applicant can confirm or adjust the “pin” on the map if they feel the position is incorrect. If the new location is placed outside of the zone, they are unable to proceed.²⁵

The applicant is then prompted to provide contact information; mailing address (if different than business location); business details (e.g. NAICS Code, business type, minority- or woman-owned, etc.); employee data (full- and part-time, both currently and anticipated in three years); and estimated capital investments for the next three years. Notable among these data are the employment figures, as the current employment levels are the base figures against which

²² Ibid.

²³ The business(es) added to user accounts must already be registered with the New Jersey Division of Revenue.

²⁴ Local Coordinators have access to the PBS system for the purposes of monitoring their Zone’s businesses and can assist businesses with the application process.

²⁵ Also, all applications in which the business location pin is adjusted are flagged for review by the UEZ Executive Assistant.

recertification employment requirements are tested. However, projected employment figures are approximations, as are capital investment estimate figures.

Annual Reporting and Recertification Applications

Participating UEZ businesses are required to fill out either the annual reporting or recertification application yearly (within the PBS system), with the recertification application replacing the annual reporting application every third year. These applications are both very similar to each other and to the original certification application.

Both annual reporting and recertification applications ask firms to confirm their current full-time and part-time employment levels while also reporting the monetary value of tax-exempt purchases made during the past program year. Unique to the recertification application is the request for employment information related to the program's "25 Percent Factor" requirement. As further detailed in the "Maintaining Certification" section below, this criterion requires applicants to report whether any new hires reside in the zone's municipality, were unemployed for six months prior to hire, or were classified as low-income individuals pursuant to the Workforce Investment Act of 1998.

Application Reviews and Approvals

UEZ staff have access to the back-end of the application system – a portal listing each pending application with sections for each type of status in the queue: in process (not yet submitted), submitted, approved, on hold, denied, etc. Staff reviews predominantly consist of confirming that the business's Tax ID has a valid Business Registration Certificate (BRC) and confirmation that all required data is filled out.

Businesses are notified via email when the application is approved or denied. All approvals are compiled in the web application on a weekly basis, and the Division of Revenue forwards the batch of tax permits and program packets to each business approved that week.

Maintaining Certification

While recertification applications are submitted every three years, the annual report still has the capacity to flag participating firms in a way that would inactivate program benefits prior to the end of the three-year certification. Besides maintaining its location within a zone, a business must remain in tax compliance with the New Jersey Division of Taxation in order to keep its program benefits. The advantage of the current PBS system is that any Annual Report or

recertification application submitted by a firm with a tax compliance issue is flagged for review by the UEZ staff. The UEZ technician is not made aware of the nature of the tax compliance issue, just that one exists, due to tax confidentiality protocols. This has the unfortunate consequence of leaving UEZA staff with little information upon which to assist their applicants.

There are two main employment-based criterion against which recertification applications are tested. The “Employment Requirement” is one criterion that is tested every three years (e.g. in every recertification application). Depending on the size of the firm, businesses may be required to increase employment to maintain UEZ benefits. The thresholds required are:

- “Businesses with 0 to 5 full-time employees may not be required to hire any additional employees.
- Businesses with 6 to 10 employees may be required to hire at least one part-time employee.
- Businesses with 11 to 49 employees may be required to hire one full-time or two part-time employees.
- Businesses with 50 or more employees must hire one full-time employee²⁶”

Additionally, businesses applying for their first recertification are typically required to satisfy the following “25 Percent Factor.”²⁷ This criterion stipulates that at least 25 percent of the business’s newly hired employees must meet one of the following criteria:

- Be a resident of a UEZ or the Zone’s host municipality; or
- Be a New Jersey resident (of any domicile) unemployed for at least six months prior to being hired; or
- Be a recipient of a New Jersey public assistance program for at least six months prior to being hired (of any domicile).²⁸

A fair amount of the responsibility of the UEZ staff is reviewing these program employment-based criteria and communicating with businesses if their application is held due not meeting these criteria.

²⁶ Urban Enterprise Zone Program (UEZ) Program Procedures, p. 4. URL: <https://www.nj.gov/dca/affiliates/uez/publications/pdf/ProgramProcedures.pdf>.

²⁷ Participating businesses established at their current location before the designation of their local Zone are exempt from the 25 Percent Factor test.

²⁸ Ibid 11, p. 5.

In Lieu Applications, Good Faith Waivers and Compliance Extensions

Businesses have multiple avenues through which they can maintain certification while not meeting the aforementioned requirements. First, a firm can apply to make investments in their zone in lieu of increasing employment to meet program thresholds for its business size. Regulations outline a non-exhaustive list of potential investments such as:

- Improvements to exterior or customer facilities of the property; or
- Monetary or in-kind contributions to the host municipality for use increasing zone safety, attractiveness, or employment training program opportunities.²⁹

These in lieu investments require the approval of both the governing body of the host municipalities as well as the UEZ Authority.

Good Faith Waivers are exclusive to firms not meeting the 25 Percent Factor. If the business can provide sufficient documentation of acting in good faith to meet this program test,³⁰ the UEZ Authority may reduce the 25 Percent Factor if the business sponsors and funds a workforce development activity such as:

- Training programs to develop entry level jobs skills for a zone municipality school or continuing educational facility;
- Part-time and/or summer jobs for zone municipality high school students;
- Summer internships for zone municipality students.³¹

Lastly, the UEZ Executive Director may grant an extension for up to six months for a noncompliant business to alleviate its noncompliance with employment requirement levels and the 25 Percent Factor and a 90-day extension to correct tax compliance issues. It is worth noting that waivers and in lieu applications are rare. Indeed, as of this writing, no participating UEZ businesses are active by virtue of a waiver or in lieu application, and only four of the approximately 6,600 UEZ firms are currently active due to a compliance extension.

Inactivation

If a participating business does not satisfy program requirements or fails to submit its Annual Report or recertification application, the business will be inactivated and its program

²⁹ NJAC 5:120-2.2.

³⁰ New Jersey Administrative Code stipulates that good faith shall include such items as proof of advertisement of position, requesting Department of Labor and Workforce Administration for assistance filling position, and other active efforts to fill an open position (N.J.A.C. 5:120-1.7).

³¹ N.J.A.C. 5:120-1.7.

benefits will cease. An inactivated business hoping to requalify as a UEZ business must wait at least six months from the date of inactivation to reapply. Once inactivated, businesses are considered as a new applicant. That is, the employment requirement or 25 Percent Factor the business may have failed six months ago is not considered, and those tests will not be re-tested for another three-year cycle in the program.

Mapping

The criteria to designate enterprise zones outlined in N.J. Stat. 52:27H-72 is a comprehensive list that tracks the legislative purpose. Zones are designated based on development plans submitted to the UEZ Authority by qualifying municipalities that must include “findings of fact concerning the economic and social conditions in the area proposed for the enterprise zone.”³² In considering a designation, preference by the Authority is to be given to plans that “address the greatest degree of urban distress, as measured by existing levels of unemployment, poverty and property tax arrearages.”³³

In practical terms, more than half of the 26 UEZ coordinators surveyed expressed concerns about the current mapping, the procedures to change it or both. One of the most frequent complaints was the requirement for contiguous parcels, particularly in combination with limits on UEZ acreage within a municipality. Several coordinators said the municipality was forced to include residential properties or other non-commercial properties like cemeteries and landfills in order to connect UEZ commercial properties. One coordinator called this “a waste of potential UEZ designated property.” In some cases, viable commercial properties were left out because it was not feasible to include them in the contiguous footprint. Another coordinator noted the current system does not lend itself to tracking outcomes through the U.S. Census because of the irregular UEZ boundaries. The coordinator suggested using Census Tracts, Census Block Groups or a similar spatial footprint. Another recommended allowing all commercial and industrial zoned properties within the municipalities to be eligible for UEZ. A third suggestion was to tie the zone to municipal zoning. Some coordinators said the UEZs do not cover recent commercial development and complained the process to revise zone boundaries is too cumbersome. According to the enabling legislation, revisions to boundaries cannot significantly alter the percentage within the zone of unemployment, persons below the poverty

³² N.J. Stat. 52:27H-68

³³ N.J. Stat. 52:27H-72

level or persons receiving public assistance. In addition, zone boundary revision applications must include a detailed analysis of how the revision will relieve economic distress, high unemployment, low investment of capital, blighted conditions, obsolete or abandoned structures and deteriorating tax base.³⁴

The adherence of zone boundaries to existing parcel records is important for a place-based program such as the UEZ Program. If zone boundaries do not conform to property records, there can be confusion as to which properties and businesses are eligible to certify as a program participant. To assess the extent of this potential issue, zone boundaries were compared to the composite parcel data available through the New Jersey Geographic Information Network (NJGIN) for a sampling of zones.³⁵ Adherence of the map to existing parcel maps was substantial; only the Irvington UEZ exhibited notable partial parcel issues with 395 parcels being partially intersected by its zone boundary out of 1,749 parcels analyzed (22.6 percent).³⁶ None of the other 20 zones sampled exhibited a partial parcel rate of over 2.3 percent.

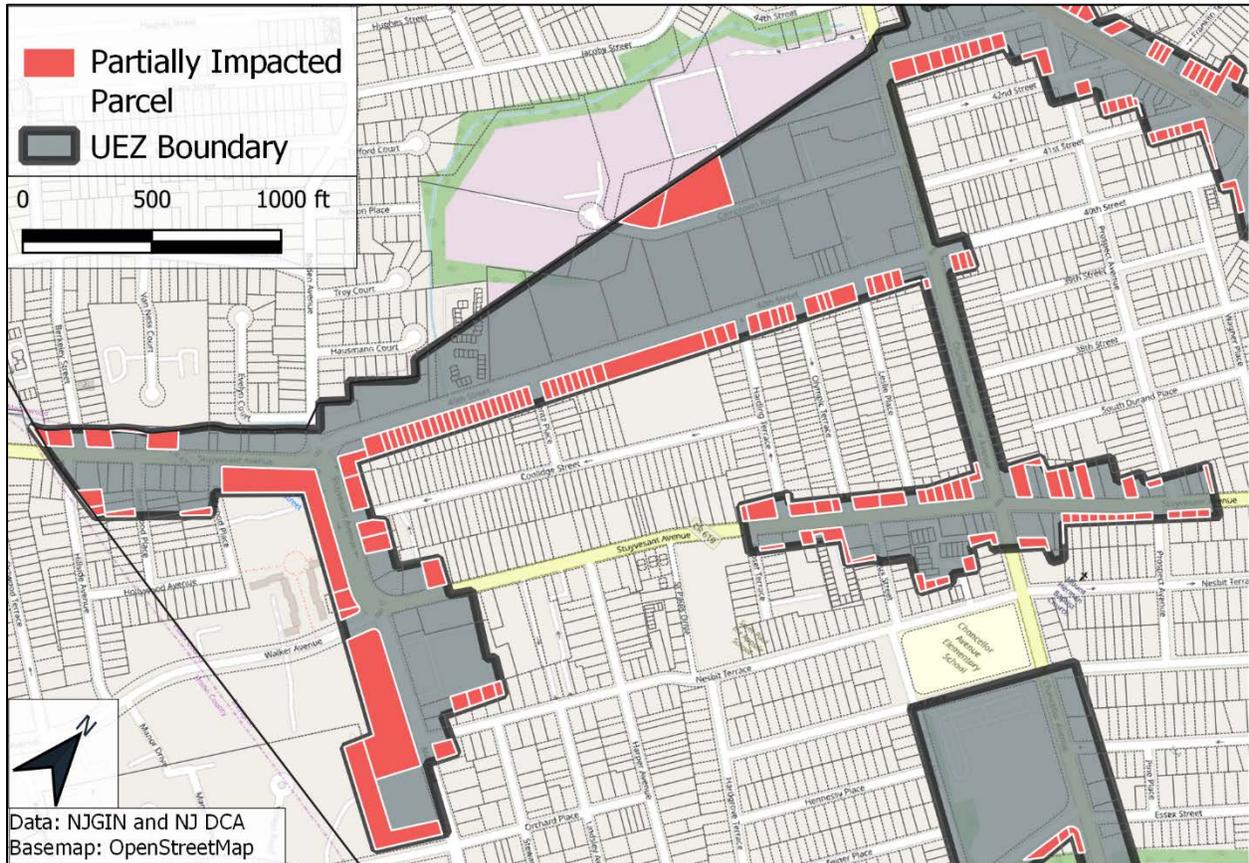
³⁴ N.J. A.C. 5:120-3.3

³⁵ <https://njgis-newjersey.opendata.arcgis.com/datasets/parcels-composite-of-new-jersey-download>

³⁶ A “partial parcel” is defined as the intersection of a parcel by a UEZ boundary such that between 20 percent and 80 percent of its land area is included or excluded from the Zone.

Below is an example from Irvington New Jersey of these partial parcel issues.

Figure 6. Irvington New Jersey parcels partially impacted by UEZ boundary



Administrative Review

The predominant administrative task of the UEZA in the current iteration of the UEZ Program is processing program applications. The level of interaction between the UEZA and its zones has diminished with the ending of the Zone Assistance Funds. Data are not collected on zone activities besides the number of active firms per zone and the data provided in the certification processes. There is a lack of program marketing that may have contributed to the lack of business participation in the last six fiscal years. And lastly, the placement of a sales tax exemption application process under the New Jersey Department of Community Affairs is a holdover from the program's pre-2011 structure. Absent a return to a more fully-fledged economic development program apparatus, the State should consider reallocating the certification processes to the New Jersey Department of Treasury.

Certification Processes

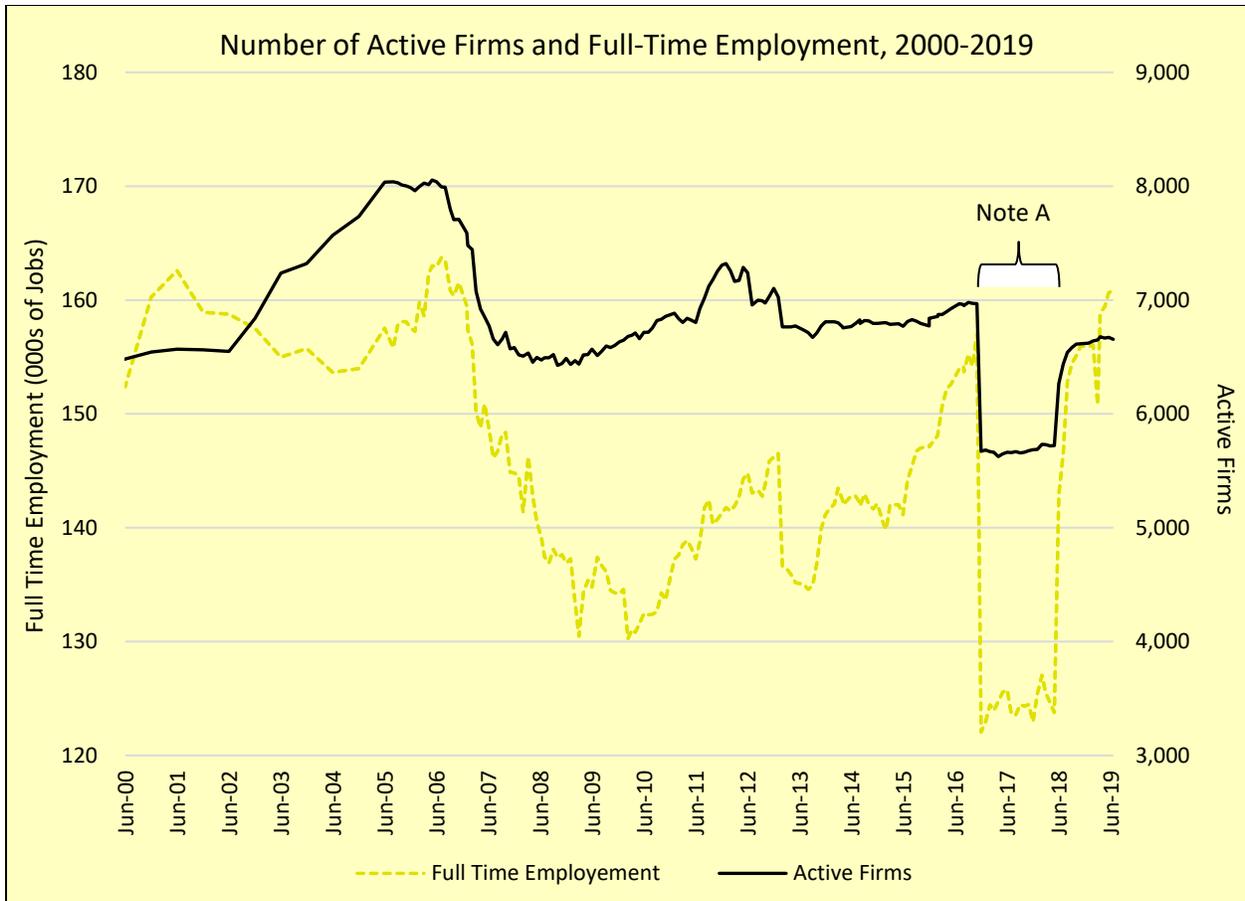
The PBS system represents a notable efficiency improvement when compared to the 2011 UEZ Assessment. The paperless, online process has streamlined the application process and limits their review to UEZA staff without the manual input from either local coordinators or other departments. Records, historic and current, are easily accessible and reporting can effortlessly happen in real time.

The current process is not without its flaws. The UEZA does not request additional documentation to verify application figures (e.g., UZ-4 and UZ-5 exempt purchase figures and employment levels) and do not audit these data points in any matter. Additionally, UEZA staff also noted potential discrepancies in how multi-establishment firms are treated. Given the place-based nature of the program, firms with multiple establishments are required to submit certification applications for every establishment. For most firms, the employment tests are likewise tested at the establishment level as outlined in the “Maintaining Certification” section above. However, staff did note that some firms have their employment tests reviewed in bulk; that is, multiple establishment applications are submitted and tested based on the sum of their employment figures. This disparate treatment is not accounted for in programmatic documentation or New Jersey Administrative Code.

Business Participation

Despite these improvements in certification processing, the number of businesses in the program has stayed relatively stagnant over the past few fiscal years. The monthly average of active UEZ firms was 6,884 from January 2012 until November 2016, one month before five zones lapsed and approximately 1,100 firms dropped from the program.³⁷ The number of businesses has not fully recovered since the reinstatement of the previously lapsed Zones, with the number of active businesses reaching 6,639 in July 2019.

³⁷ Newark, Plainfield, Trenton, Camden, and Bridgeton Zones.



Note A: Drop and subsequent rise in firms and employment due to lapse of five (5) Zones in December 2016 and reinstatement in June 2018.

The 2011 UEZ Assessment found that only 20 percent of eligible businesses participated in the program.³⁸ Our analysis estimates a similar participation rate of 19.7 percent across all zones as of July 2019.³⁹ Participation rates are highest among businesses in the Wildwood Zone municipalities, Vineland and Millville.

³⁸ New Jersey Urban Enterprise Zone Program Assessment (2011) p. 23.

³⁹ Eligible businesses were estimated by comparing the 2017 United States Census Longitudinal Employer-Household Dynamics (LEHD)'s Origin-Destination Employment Statistics (LODES) Workplace Area Characteristics for all private jobs by Census Blocks with a centroid within a Zone boundary to the 2017 ZIP Codes Business Patterns (ZBP) establishment and employee data. An upper limit to this estimation was provided by municipal private firm counts available through the New Jersey Department of Labor and Workforce Development and Workforce Development's Quarterly Census of Employment and Wages (QCEW).

Table 17. UEZ Program participation rate by zone

Zone	County	Certified Businesses	Estimate of Eligible Businesses	Estimated Participation Rate (%)
The Wildwoods	Cape May	255	549	46.4
Vineland	Cumberland	619	1,402	44.2
Millville	Cumberland	184	490	37.6
Carteret	Middlesex	82	267	30.7
Plainfield	Union	115	379	30.3
Lakewood	Ocean	571	2,009	28.4
Pleasantville	Atlantic	104	395	26.3
Elizabeth	Union	625	2,419	25.8
Bridgeton	Cumberland	41	167	24.6
Mount Holly	Burlington	64	263	24.3
Bayonne	Hudson	229	986	23.2
Asbury Park	Monmouth	75	324	23.1
Perth Amboy	Middlesex	207	922	22.5
City of Orange	Essex	94	437	21.5
Kearny	Hudson	158	843	18.7
Guttenberg	Hudson	16	88	18.2
Paterson	Passaic	447	2,561	17.5
Trenton	Mercer	158	906	17.4
Gloucester City	Camden	36	214	16.8
Newark	Essex	597	3,592	16.6
East Orange	Essex	113	686	16.5
Irvington	Essex	106	656	16.2
Hillside	Union	72	463	15.6
Phillipsburg	Warren	45	293	15.4
Roselle	Union	41	274	15.0
Long Branch	Monmouth	95	664	14.3
Jersey City	Hudson	726	5,343	13.6
Union City	Hudson	113	838	13.5
Pemberton	Burlington	27	201	13.4
Passaic	Passaic	173	1,344	12.9
Camden	Camden	126	995	12.7
North Bergen	Hudson	109	879	12.4
West New York	Hudson	99	835	11.9
New Brunswick	Middlesex	117	1,046	11.2
Total		6,639	33,730	19.7

A comparison to the 2011 UEZ Assessment is also apt as a marker for change in the number of certified businesses over the course of the decade. The 2011 Assessment cited 6,783 total certified businesses⁴⁰; the July 2019 figure of 6,639 represents a 2.2 percent decline. Net

⁴⁰ New Jersey Urban Enterprise Zone Program Assessment (2011) p. 149-150.

additions/losses by zone vary from a positive 128 in Lakewood Township to a 167-net loss of certified businesses in Elizabeth.

Table 18. Change in UEZ certified businesses, 2011-2018

Zone	County	Certified Businesses (2011)⁴¹	Certified Businesses (2018)	Net Change in Certified Businesses	Percent Change in Certified Businesses (%)
Lakewood	Ocean	443	571	128	28.9
Jersey City	Hudson	606	726	120	19.8
Perth Amboy	Middlesex	134	207	73	54.5
The Wildwoods	Cape May	182	255	73	40.1
Bayonne	Hudson	169	229	60	35.5
Long Branch	Monmouth	60	95	35	58.3
City of Orange	Essex	75	94	19	25.3
Kearny	Hudson	140	158	18	12.9
Irvington	Essex	92	106	14	15.2
Plainfield	Union	105	115	10	9.5
Trenton	Mercer	150	158	8	5.3
Guttenberg	Hudson	9	16	7	77.8
East Orange	Essex	110	113	3	2.7
New Brunswick	Middlesex	116	117	1	0.9
Hillside	Union	74	72	-2	-2.7
North Bergen	Hudson	115	109	-6	-5.2
Newark	Essex	605	597	-8	-1.3
Carteret	Middlesex	94	82	-12	-12.8
Asbury Park	Monmouth	90	75	-15	-16.7
Gloucester City	Camden	52	36	-16	-30.8
Union City	Hudson	131	113	-18	-13.7
Paterson	Passaic	468	447	-21	-4.5
West New York	Hudson	120	99	-21	-17.5
Roselle	Union	62	41	-21	-33.9
Pemberton	Burlington	48	27	-21	-43.8
Passaic	Passaic	195	173	-22	-11.3
Phillipsburg	Warren	68	45	-23	-33.8
Pleasantville	Atlantic	131	104	-27	-20.6
Mount Holly	Burlington	94	64	-30	-31.9
Bridgeton	Cumberland	77	41	-36	-46.8
Millville	Cumberland	237	184	-53	-22.4
Camden	Camden	189	126	-63	-33.3
Vineland	Cumberland	750	619	-131	-17.5
Elizabeth	Union	792	625	-167	-21.1
Total		6,783	6,639	-144	-2.2

⁴¹ Ibid.

Advertisement of Program Benefits

It may not be that surprising that the simplification of the certification processes did not have the effect of increasing program participation when approximately 80 percent of respondents in the 2011 Assessment survey encountered “no challenges” in obtaining UEZA certification⁴² compared to nearly 86 percent in this study’s survey findings.

The UEZA and the Department of Community Affairs do not currently market or advertise the UEZ Program; these activities, to the extent that they occur, are largely left to the devices of local coordinators and host communities. State officials note that there is considerable variation in promotion of the program from zone to zone. Indeed, the UEZA did not formally advertise the reinstatement of five previously lapsed zones in 2018, which may partially explain the gap between active firms in the month preceding the lapse (6,967 in November 2016) and the highest active-firm figure post-reinstatement (6,676 in May 2019).

Administrative Code

It is apparent that the Administrative Code governing the activities of the UEZA does not totally reflect the changes made to the program earlier this decade. The Code includes references to businesses being required to submit eight forms to their local coordinator for the certification process⁴³; outlines local coordinator annual training requirements and the UEZ Executive Director’s former capacities to reprimand local coordinators;⁴⁴ and references to a standard operational manual that no longer exists for the program.⁴⁵

Relationship with Zones

There are few structural ties between the UEZA and the zones in the current program. State officials have noted that UEZ does not have real control over the coordinators, that the responsibility to monitor was removed with the termination of ZAFs. The most active UEZA employee from the standpoint of UEZA-Zone interaction is the Executive Assistant, who strives to visit with local coordinators and other stakeholders quarterly while being responsible for training new local coordinators (when applicable). This training essentially familiarizes the coordinator with the PBS system so that they can use it effectively in the field (such as

⁴² Ibid p. 198.

⁴³ N.J.A.C. 5:120-1.4.

⁴⁴ N.J.A.C. 5:120-1.3.

⁴⁵ Ibid.

identifying firms that are pending renewal and assist businesses with the Annual Report or Certification processes).

Relationship with Board and Participating State Departments

As noted earlier, the UEZ Board is not an active body since the programmatic changes following the 2011 UEZ Assessment and the legislative changes that followed. The UEZA relationship with its UEZ Board is limited to the administrative support it provides (e.g. preparation of meeting agenda packets and meeting minutes).

A fair amount of the relationship between the UEZA and the Department of Community Affairs (DCA) is purely administrative. For example, the UEZA relies on DCA for information technology support and media proofing in the infrequent cases where the UEZA is developing a press release or program materials. However, the UEZA has been notably relying on the DCA's Office of Local Planning Services for technical assistance, including geographic information systems (GIS) mapping assistance, with one zone request for zone boundary adjustments.

As noted earlier, UEZA staff is made aware of tax compliance issues automatically through the PBS system, an obvious improvement to the application process compared to the manual review by Department of Treasury staff in the pre-2011 workflow. However, UEZA staff is not made aware of the nature of the tax compliance issue for a firm due to legitimate confidentiality protocols. Without knowledge of the nature of the issue at hand, UEZA staff is often left advising a firm to contact one of the other departments.

Zone Assessments and Data Analysis

The combination of the UEZA's near exclusive focus on the certification processes, the minimal relationship between the UEZA and its zones, and the mostly administrative relationship between the UEZA and its partnering State of New Jersey Departments means there is a lack of program assessment to determine whether zone activities are furthering the legislative intent of the program. The 2011 UEZ Assessment found that the program "...suffers from a lack of both routine, consistently gathered and reported data and performance metrics to quantitatively evaluate business development and job creation."⁴⁶ The UEZA tracks the number of jobs among participating businesses and their capital investments through the certification

⁴⁶ New Jersey Urban Enterprise Zone Program Assessment (2011) p. 30.

processes in the PBS system. However, there is a lack of program benchmarking beyond these few certificate data points and no recurring assessment of zone trends.

As Chapter 5 discusses, local coordinators have suggested there is a need for technical data assistance to better track the UEZ Program, particularly in concert with other state and federal programs. Our Recommendations chapter suggests increased technical assistance for zones and a mechanism for aggregating and analyzing local trends in participating zones and their host municipalities. To be sure, the State of New Jersey has a wealth of data at its fingertips; its Municipal Revitalization Index is an example of an aggregation of many metrics that align with the long-term goals of the UEZ Program. However, a disconnect exists between that data and its aggregation to the benefit of measuring program impacts against legislative intent. A data warehouse should be considered to house federal, state and local data points relevant to the evaluation of the UEZ Program and potentially other state economic development programs. An “extract-transform-load” or ETL process is an often-used data procedure to copy data from multiple sources (e.g. UEZA datasets, Treasury systems, aggregated DCA datasets), transform and clean for data analytics purposes. Tools like the Department of Community Affairs’s Community Asset Map⁴⁷ are an example of an existing aggregation of data for general purpose that serves as a good template for a geographic data warehouse.

A successful data warehouse and/or zone dashboard should be devised to act as a tool to assist periodic reviews of zone progress that coincide with extension applications (current zone expiration dates range from December 2023 through June 2027). Our analysis found that the 2011 UEZ Assessment provided a good range of potential program metrics⁴⁸ and we present below a revised sample of potential program measures.

⁴⁷ www.nj.gov/dca/communityassetmap

⁴⁸ New Jersey Urban Enterprise Zone Program Assessment (2011) p. 36-38.

Table 19. Sample UEZ metrics

Type	Metric	Measure	Status	Source(s)	Responsibly Party
Input	Administrative Costs	State Administrative Costs	Collected	State Budget	UEZA
Input	Administrative Costs	Local Administrative Costs	No longer collected for UEZ analysis	Municipal Financial Statements	Municipalities
Input	State Investment	Estimated Taxes foregone	Not aggregated for UEZ analysis	PBS/UEZA system	Department of the Treasury
Activities	UEZA application activity	Certification applications processed / approved	Available	PBS/UEZA system	UEZA
Activities	UEZA application activity	Recertification applications processed / approved	Available	PBS/UEZA system	UEZA
Activities	Zone lending	Loan agreements executed	Not aggregated for UEZ analysis	Municipalities	Municipalities
Activities	Zone lending	Loan receivable collections	Not aggregated for UEZ analysis	Municipalities	Municipalities
Activities	Marketing	Number of ads by medium	Not collected	TBD	TBD
Activities	Recruitment	Number of businesses solicited	Not collected for UEZ analysis	Municipalities/Local Coordinators	Municipalities
Short-term outputs	UEZA program activity	Unique firms added and unique firms removed	Available	PBS/UEZA system	UEZA
Short-term outputs	UEZA program activity	Net change in program participation	Available	PBS/UEZA system	UEZA
Short-term outputs	Marketing	Estimated number reached by advertisements/marketing		TBD	TBD
Short-term outputs	Zone lending	Loan principal distributed	Not aggregated for UEZ analysis	Municipalities	Municipalities
Medium-term outcomes	Job Creation	Number of jobs added	Partially Collected	PBS/UEZA system	Participating Businesses via applications
Medium-term outcomes	Increase in total private investment	Private investment in program projects	Collected	Participating Businesses	Participating Businesses via applications
Medium-term outcomes	Program penetration	Estimated percent of eligible businesses participating	Not aggregated for UEZ analysis	United States Census (LEHD and Quarterly Workforce Indicators (QWI)) and UEZA databases	Department of Labor and Workforce Development; Department of Community Affairs and UEZA
Medium-term outcomes	Reduction in the number of vacant storefronts	Storefront vacancy rates	Not collected for UEZ analysis	Municipalities	Municipalities
Medium-term outcomes	Business sales	Business sales as reported to Treasury	Not collected for UEZ analysis	Department of the Treasury	Department of the Treasury
Medium-term outcomes	Increase in property redevelopment	Underutilized or blighted properties redeveloped	Not collected for UEZ analysis	Municipalities	Municipalities

Long-term outcomes	Decrease in unemployment	Unemployment Rate	Not collected for UEZ analysis	Bureau of Labor Statistics; Department of Labor and Workforce Development	Department of Labor and Workforce Development
Long-term outcomes	Wage Trends	Quarterly Workforce Indicators (QWI) from the Census	Not collected for UEZ analysis	United States Census (Longitudinal Employer-Household Dynamics (LEHD))	Department of Labor and Workforce Development or Department of Community Affairs or UEZA
Long-term outcomes	Reduction in crime rate	# and type of reportable crimes	Not collected for UEZ analysis	Municipalities	Municipalities
Long-term outcomes	Reduction of poverty	% of residents below the poverty level	Not collected for UEZ analysis	United States Census (American Community Survey (ACS))	Department of Community Affairs or UEZA
Long-term outcomes	Population growth/in-and-out migration	Population change	Not collected for UEZ analysis	United States Census (American Community Survey (ACS))	Department of Community Affairs or UEZA
Long-term outcomes	Property values	Median property values	Not collected for UEZ analysis	MOD-IV	Department of the Treasury
Long-term outcomes	Level of local distress	Rank on NJ's Municipal Revitalization Index	Available	Aggregated index of developed by Department of Community Affairs	Department of Community Affairs
Long-term outcomes	Level of local distress	Equalized Valuation Per Capita	Available	Department of the Treasury	Department of the Treasury
Long-term outcomes	Economic diversity	Municipality firms and employees by NAICS code	Not aggregated for UEZ analysis	PBS/UEZA system; Department of the Treasury	UEZA or Department of the Treasury

CHAPTER 5: UEZ BUSINESS AND COORDINATOR SURVEY

Surveys of Urban Enterprise Zone (UEZ) certified businesses and local UEZ coordinators were developed by the consultant team, in accordance with the Scope of Work, to collect quantitative and qualitative data regarding program satisfaction, experiences with the program and other related information. The surveys, modeled after the 2011 UEZ Assessment surveys, were developed and promulgated in Google Forms. Survey results were analyzed using Google Sheets and RStudio, an open source software environment for the R statistical programming language.

UEZ certified businesses are generally very satisfied with the program. Program participants are predominately small businesses and well-tenured with an average of 13 years of certification. Businesses cited the sales tax reduction and/or sales tax exemption on certain business purchases as the most important program benefit. In addition, 58 percent indicated they made more capital investments because of the program. Many are not likely to advertise their UEZ status. If they do advertise, the businesses are most likely retail stores, which make up almost 25 percent of respondents.

One-third of businesses indicated they hired more employees than if the UEZ did not exist. While the sales tax incentives are obviously important, less than one-quarter of businesses indicated they would move if the benefit ended. The impact from changes made to the UEZ Program after 2011 was very mixed with just as many businesses saying it had little to no significance as indicating the changes were very significant. But businesses agreed that ending the UEZ certification would have a significant negative impact. Changes that businesses would like to see include increased UEZ marketing, increased training on UEZ Program benefits, increased loan and grant opportunities, and a more simplified renewal process.

UEZ coordinators cited business attraction, growth, and retention as the most important facets of the program. Other high-ranking goals and objectives included fostering economic development and investment, job creation and retention, increasing the number of UEZ certified businesses, increasing revenues, and improving quality of life. Supporting tourism held the least importance for UEZ coordinators. The greatest strength seen by coordinators is that the UEZ Program is well run by dedicated staff, while the weakest area was marketing and advertising.

When given the chance to suggest ways to strengthen the management of the program, or to suggest recommendations to make the UEZ Program a more effective place-based growth strategy for the state, reinstatement of Zone Assistance Funds (ZAFs) was the most common response among UEZ coordinators, followed by increased marketing, increased trainings, and streamlined or simplified UEZ processes. Businesses held similar opinions on how to strengthen the UEZ Program with marketing, streamlined processes, and increased grant and loan opportunities were most frequently cited.

UEZ Business Survey

On June 19, 2019, the New Jersey Department of Community Affairs emailed all 6,650 businesses in the UEZ database to make them aware of the survey and to provide them with a link to the Google Form. The survey was kept active and available for survey submission through July 7, 2019. For a 95 percent confidence interval and a ± 4 percent margin of error, at least 551 responses were required. A total of 630 responses were collected from UEZ businesses. The following is a summary of responses. Full details of the survey can be found in Appendix C.

Business Demographics

At least one response was received from businesses operating in each UEZ municipality except for Guttenberg and West Wildwood. These are also the two municipalities with the least number of businesses in the program at 16 and 1, respectively. Phillipsburg, Bridgeton, and Mount Holly exhibited the greatest response rate by municipality, each with more than 20 percent of businesses responding.

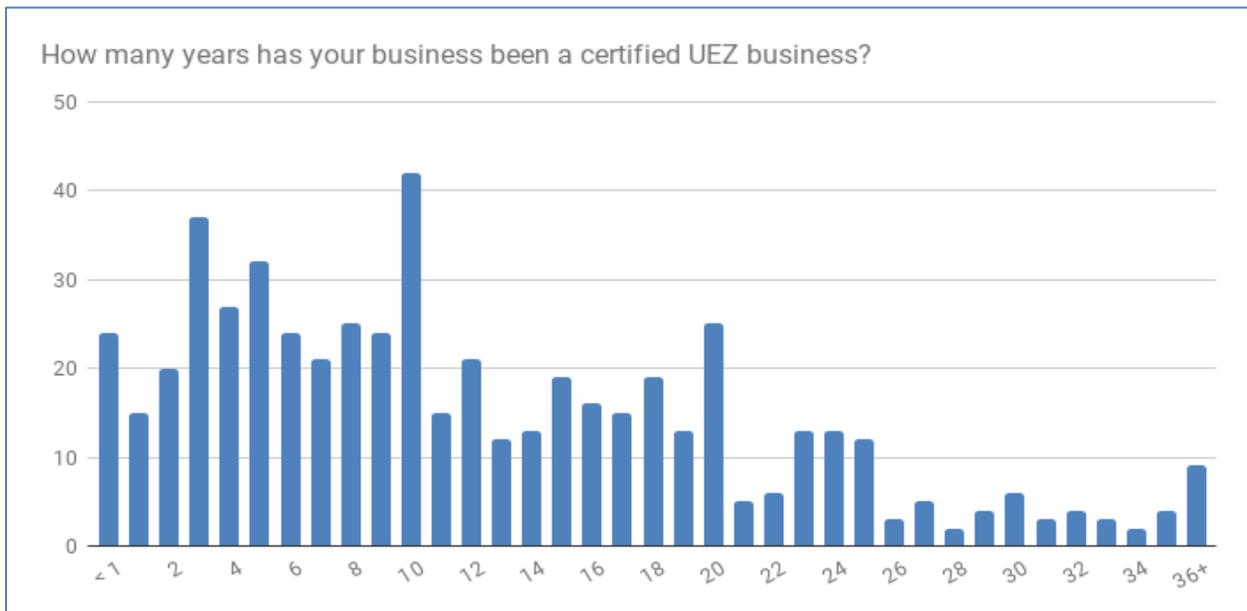
Table 20. UEZ business survey responses

Municipality	Active UEZ Businesses	Total FT Employment	Total PT Employment	Survey Responses	Percent Responding
Phillipsburg	45	539	95	13	28.9
Bridgeton	41	1,200	211	10	24.4
Mount Holly	64	473	254	15	23.4
Gloucester City	36	1,208	308	7	19.4
Asbury Park	75	670	483	14	18.7
Wildwood	126	651	1,679	20	15.9
Millville	184	3,973	1,296	29	15.8
Wildwood Crest	71	260	530	11	15.5
Hillside	72	1,952	318	11	15.3
Carteret	82	5,890	440	12	14.6
Long Branch	95	1,055	731	13	13.7
New Brunswick	117	2,886	566	13	11.1
North Bergen	109	3,394	1,244	12	11.0
Trenton	158	2,658	923	17	10.8
Vineland	619	12,203	3,802	65	10.5
Kearny	158	3,053	1,381	16	10.1
Roselle	41	520	273	4	9.8
Elizabeth	625	15,685	4,839	58	9.3
Pleasantville	104	1,039	318	9	8.7
Lakewood	571	10,496	2,386	49	8.6
Newark	597	19,757	2,327	50	8.4
Paterson	447	11,018	2,555	37	8.3
Passaic	173	1,632	817	14	8.1
Camden	126	10,267	1,391	10	7.9
Pemberton Township	27	311	228	2	7.4
North Wildwood	57	179	879	4	7.0
East Orange	113	1,982	1,129	7	6.2
Bayonne	229	3,849	1,428	13	5.7
Orange	94	599	241	5	5.3
Union City	113	481	224	6	5.3
Jersey City	726	34,220	4,019	38	5.2
Plainfield	115	559	249	6	5.2
Perth Amboy	207	4,034	766	8	3.9
Irvington	106	1,639	385	3	2.8
West New York	99	553	312	2	2.0
Guttenberg	16	176	49	0	0.0
West Wildwood	1	2	1	0	0.0
Total	6,639	161,063	39,077	603	9.1
Skipped Question				27	

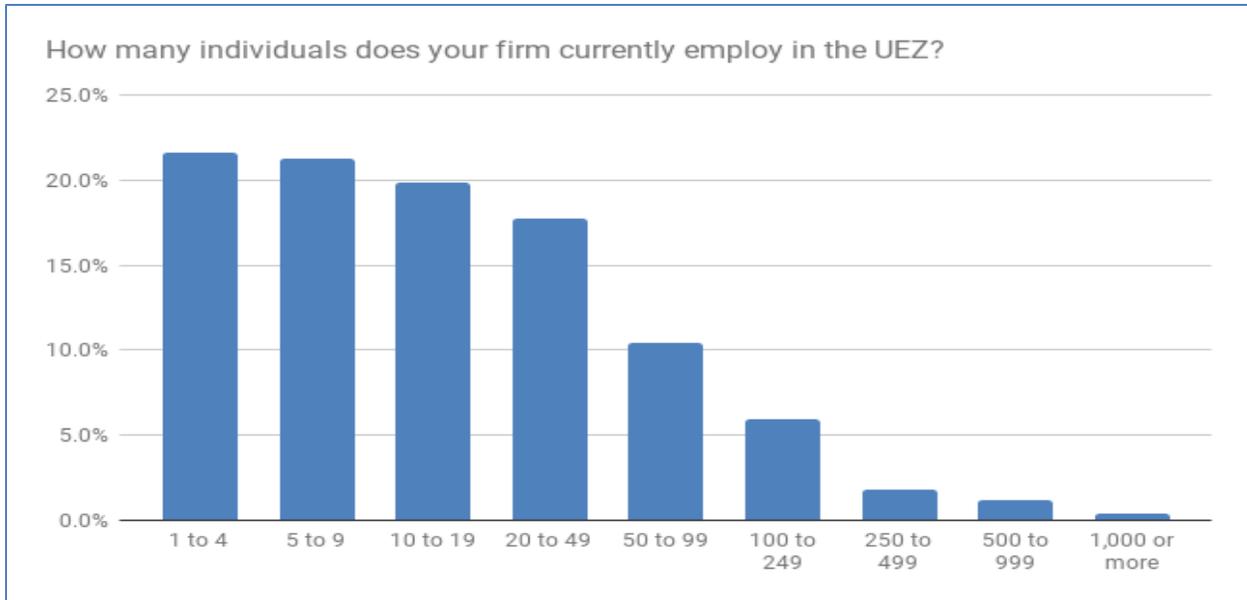
Active business and employment data from the UEZ database as of July 3, 2019

Profile of Responding Businesses

- Represented a variety of classifications, with retail (24.5 percent) and manufacturing (15.2) the most common business types;
- Were well-tenured businesses, with nearly half (48.4 percent) having operated for more than 20 years and another 20.9 percent having operated between 11 and 20 years at their current location;
- Averaged 12.3 years of certification, with the middle 50 percent of respondents reporting UEZ certification between 5 and 18 years.



- Are predominantly small businesses. A plurality of respondents (21.6 percent) employ one to four employees, while 80.5 percent employ less than 50 employees.



- Are not likely to advertise their UEZ status, with only 33.9 percent responding “Yes” to whether the business advertises its UEZ certification to customers. However, retail stores were the most likely business type to advertise UEZ certification (66.9 percent), probably due to the reduced sales tax offered to consumers.
- For those businesses that do advertise their UEZ status, they are most likely to do so on a business website, a Facebook page, or with signage.
- Are not likely to track customer ZIP codes, with only 30.7 percent doing so.

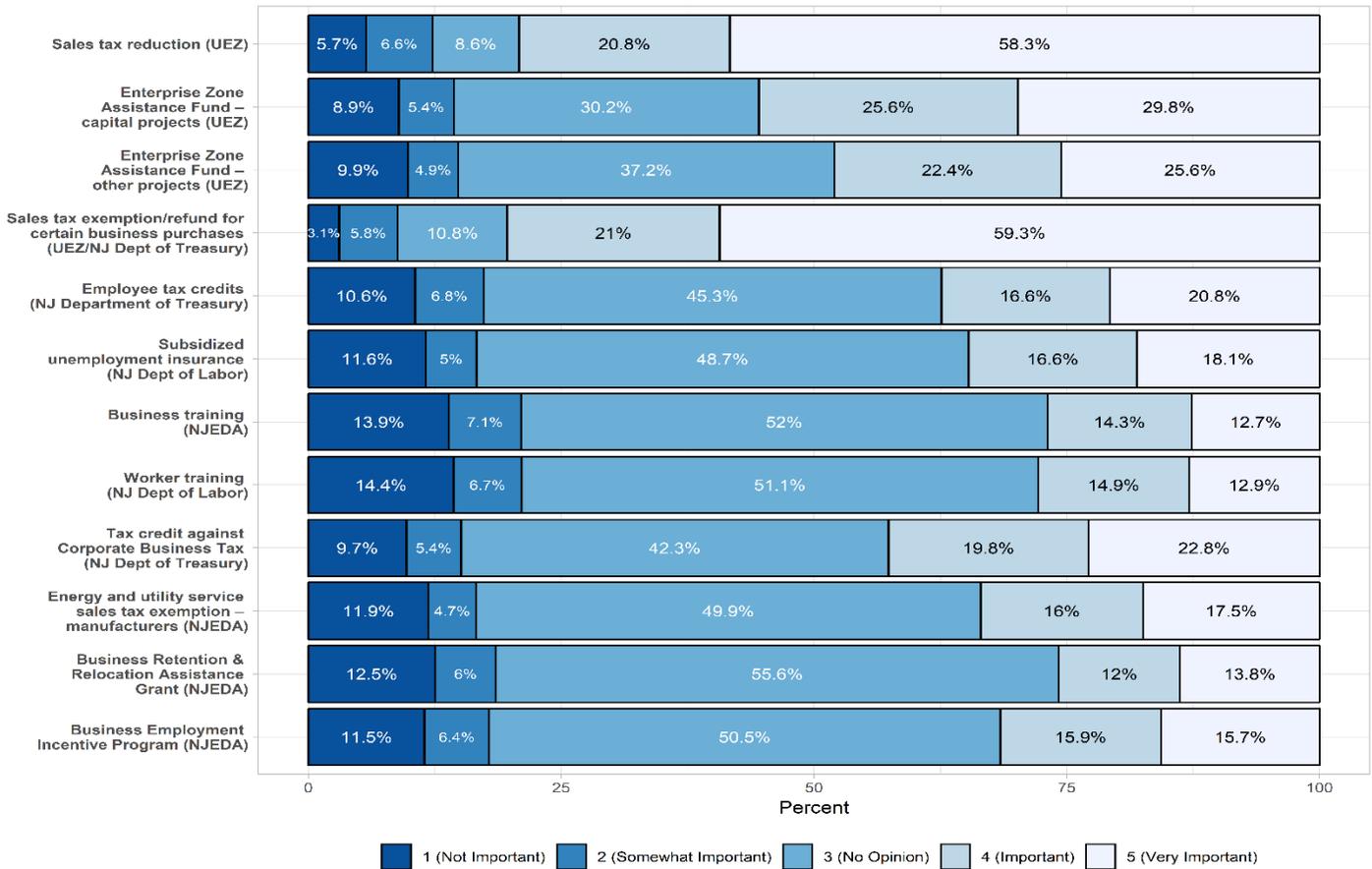
UEZ Participation, Experiences, and Attitudes

Businesses were asked to identify whether they participate in various UEZ (and non-UEZ) benefits, with most respondents citing participation in the UEZ sales tax reduction (61.6 percent) and sales tax exemption/refunds for certain business purchases (50.8 percent).

Participation in various non-UEZ business benefits was minimal, with 9 percent of respondents citing use of employee tax credits through the New Jersey Department of Treasury.

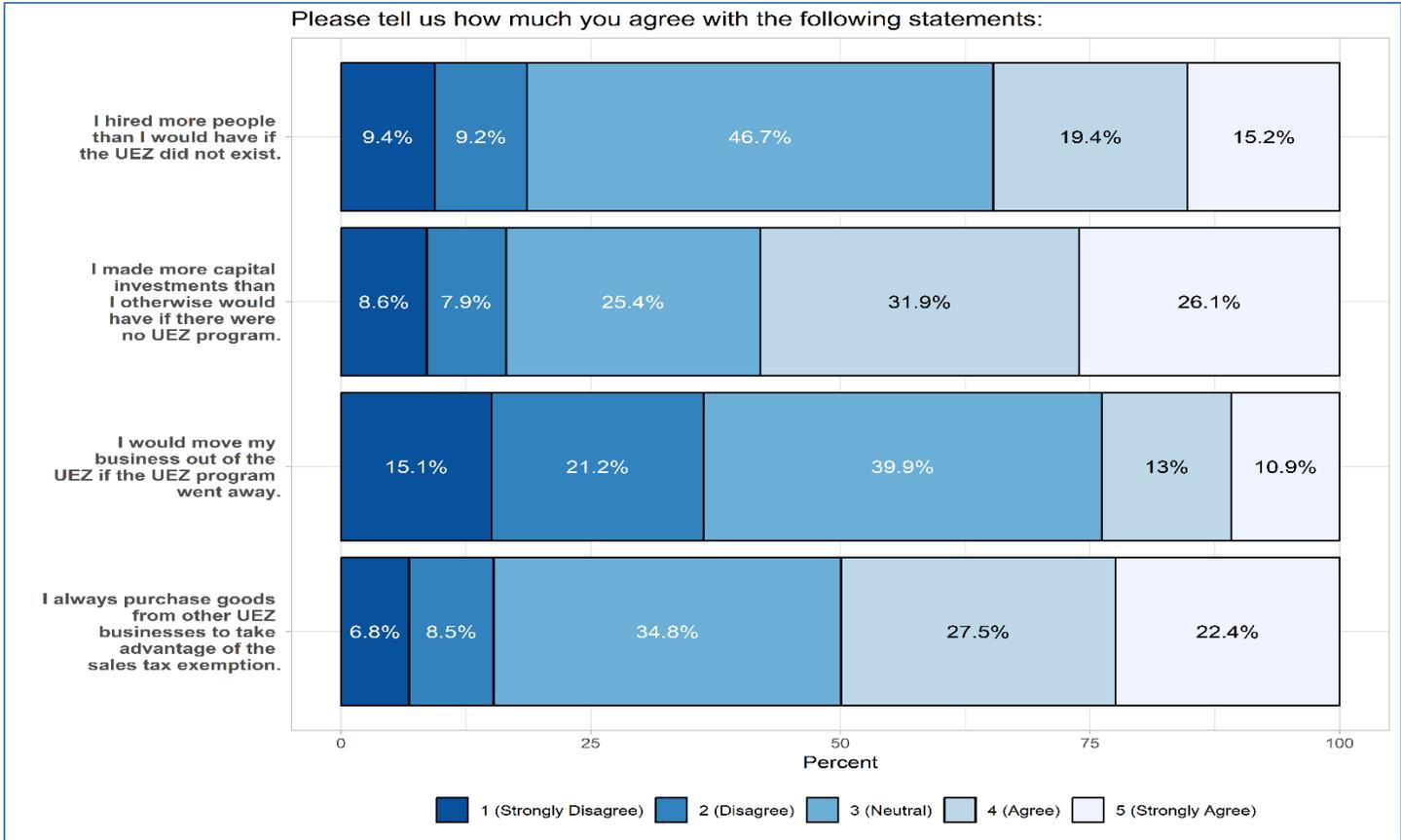
Businesses were also asked to express the level of importance of these UEZ (and non-UEZ) benefits. The opinions largely mirrored the participation question with UEZ sales tax reduction and UEZ sales tax exemption/refunds cited as the most important benefits.

How important are the following benefits of the UEZ Program and other New Jersey economic development programs to your business?

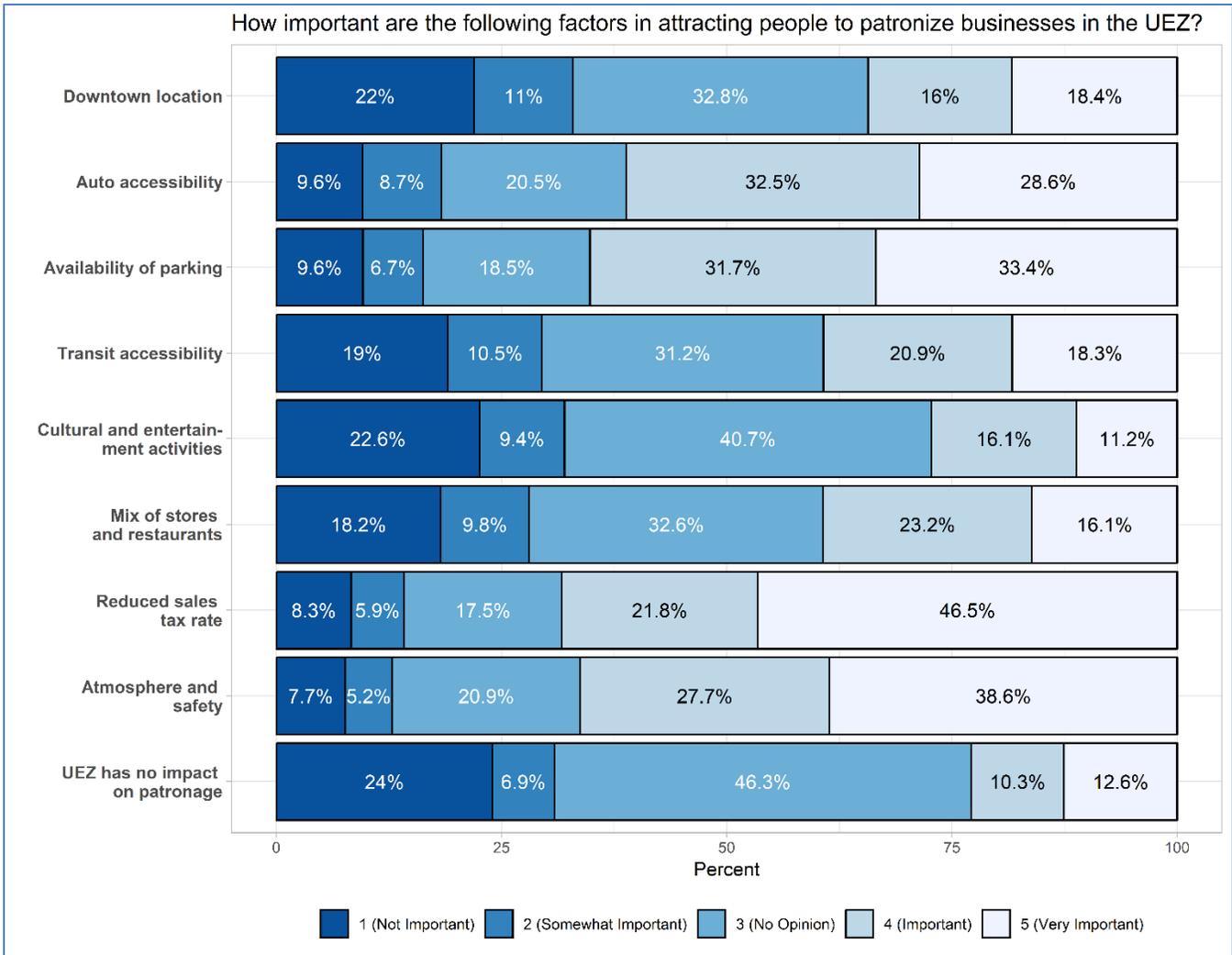


Businesses were asked the extent to which they agree with a set of statements regarding UEZ’s impact on their business decisions. Businesses agreed most with the statement that “I made more capital investments than I otherwise would have if there were no UEZ Program” with 58 percent selecting “Agree” or “Strongly Agree.” Approximately one-half of respondents agreed or strongly agreed that they always purchase goods from other UEZ businesses.

One-third of respondents agreed or strongly agreed that they have hired more than they otherwise would have in the absence of the UEZ Program, while 23.9 percent agreed with the statement that they would move their business out of the UEZ if the program went away.



More holistically, businesses were also canvassed as to the importance of various factors in attracting customers. The UEZ reduced sales tax garnered the highest overall score of the factors proffered, with “atmosphere and safety” a close second. Furthermore, “auto accessibility” and “availability of parking” also received a majority of “important” or “very important” responses.

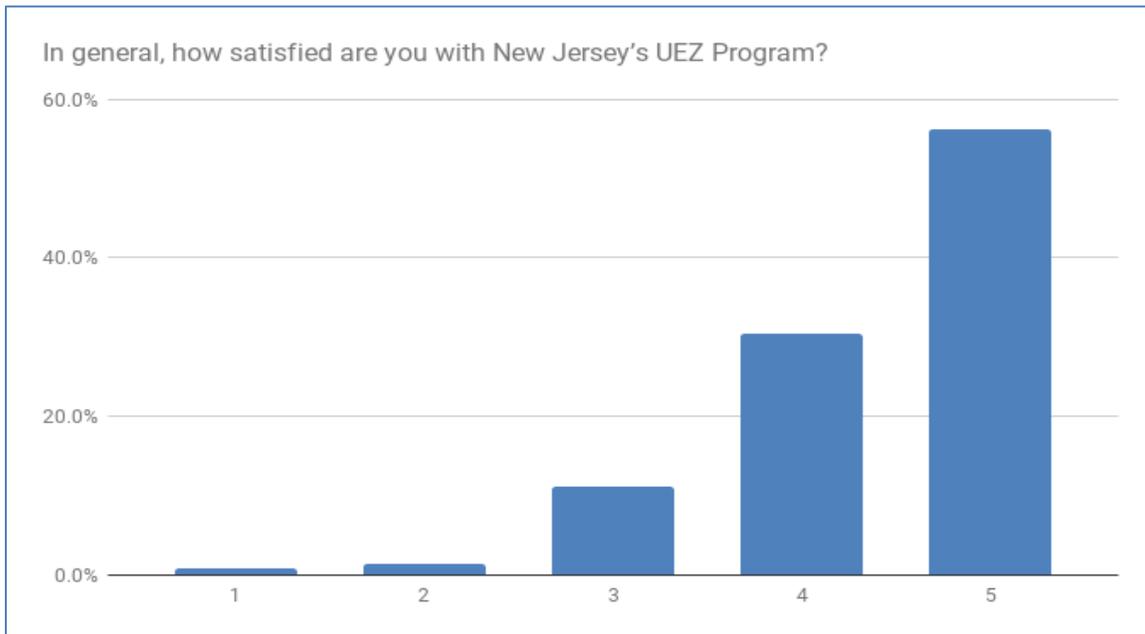


Overall, businesses are not likely to have had their UEZ certification lapse at any point; 89.6 percent of responding businesses never had a certification lapse. Furthermore, respondents are not likely to have faced any challenges obtaining UEZ certification or recertifying their program status, with approximately 85 percent citing “no challenges.”

Survey takers were provided the opportunity to write suggested improvements to strengthen the UEZ Program; a wide variety of suggestions were provided from approximately one-third of respondents. At least 10 survey respondents suggested:

- Increase UEZ marketing
- Increase training on UEZ Program benefits
- Increase loan/grant opportunities
- Automatic or simplified renewals

Businesses are overwhelmingly satisfied with the UEZ Program. When asked how satisfied they were with the program on a scale of 1 to 5, with “1” representing “Very Dissatisfied” and “5” representing “Very Satisfied,” more than half (56.2 percent) of respondents reporting being “Very Satisfied;” the weighted average score of all responses was 4.40.



Businesses were also asked to provide recommendations to improve the certification and recertification processes. No single recommendation was selected by a majority of businesses. The most selected recommendation was “less frequent recertification” (39.7 percent) with approximately one-third of businesses recommending “no changes.” At least one out of every five respondents suggested a simplification in the paperwork and processing or automatic recertification.

Business Impact of 2011 UEZ Changes

Respondents were asked a set of questions with respect to how the 2011 UEZ Program changes impacted their business. When asked to rank the significance of the 2011 UEZ law changes to their business on a scale of 1 to 5, with “1” representing “Little to No Significance” and “5” representing “Very Significant” a near-identical number of businesses responded that the changes had “little to no significance” (146) or “were very significant” (148). A plurality of businesses (180, 29.1 percent) responded with a “3” on the scale.

When filtering these responses to only those businesses that reported an initial UEZ certification year in 2010 or earlier, these figures shifted minimally: 26.3 percent of businesses

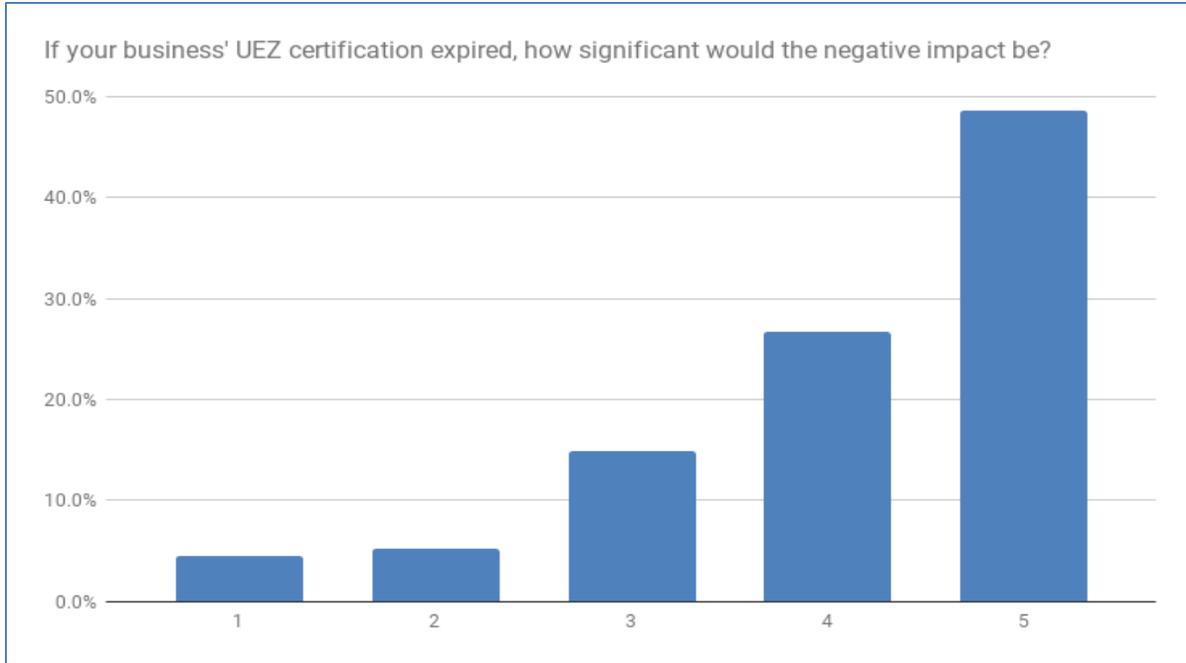
responded that the changes “were very significant” while 23.7 responded that the 2011 UEZ law changes had “little to no significance” on their business.



Approximately half (49.9 percent) of respondents answered “Don’t Know” to the question “How was your business impacted by the 2011 UEZ law changes? (Select up to 5).” About one-in-four businesses said the changes impacted future growth and capital improvements and increased operating costs.

Program Impact and Business Recommendations

The benefits of the UEZ Program are valued highly by survey respondents. When asked “if your business’ UEZ certification expired, how significant would the negative impact be?” on a scale of 1 to 5, with “1” representing “Little to No Negative Impact” to “5” representing “Significant Negative Impact,” nearly half of respondents answered an expiration would have significant negative impact. The weighted average response for the question was 4.10.



When asked to provide written examples of how the UEZ Program has helped their businesses, respondents provided a wide variety of cases. Most common among them were reducing the cost of doing business through sales tax exemptions on certain purchases. One in five responded that they had invested more into capital than they otherwise would have in the absence of the UEZ Program.

Category	Response Count	Percent of Responses
Reduced costs	187	51.7%
Increased capital investments	83	22.9%
Increased sales	41	11.3%
More customers	41	11.3%
Consumer benefits from decreased sales tax	36	9.9%
Increased staffing	30	8.3%
Increased competitive advantage	19	5.2%

Table limited to responses with response rates above 5 percent. See Appendix C for full table.

Businesses were also canvassed “what improvements would you suggest to strengthen the UEZ Program in your community?” Most common among the responses were increase in UEZ marketing and promotion of the Program (both to consumers and non-participating businesses). A small subset of businesses also recommended increased training on UEZ Program benefits; more grant and loan opportunities; and simplifications to the renewal process.

Categories	Response Count	Percent of Responses
Increase UEZ marketing	45	20.6%
Increase training on UEZ program benefits	27	12.4%
Increase grant/loan opportunities	14	6.4%
Automatic or simplified renewals	13	6.0%

Table limited to responses with response rates above 5 percent. See Appendix C for full table.

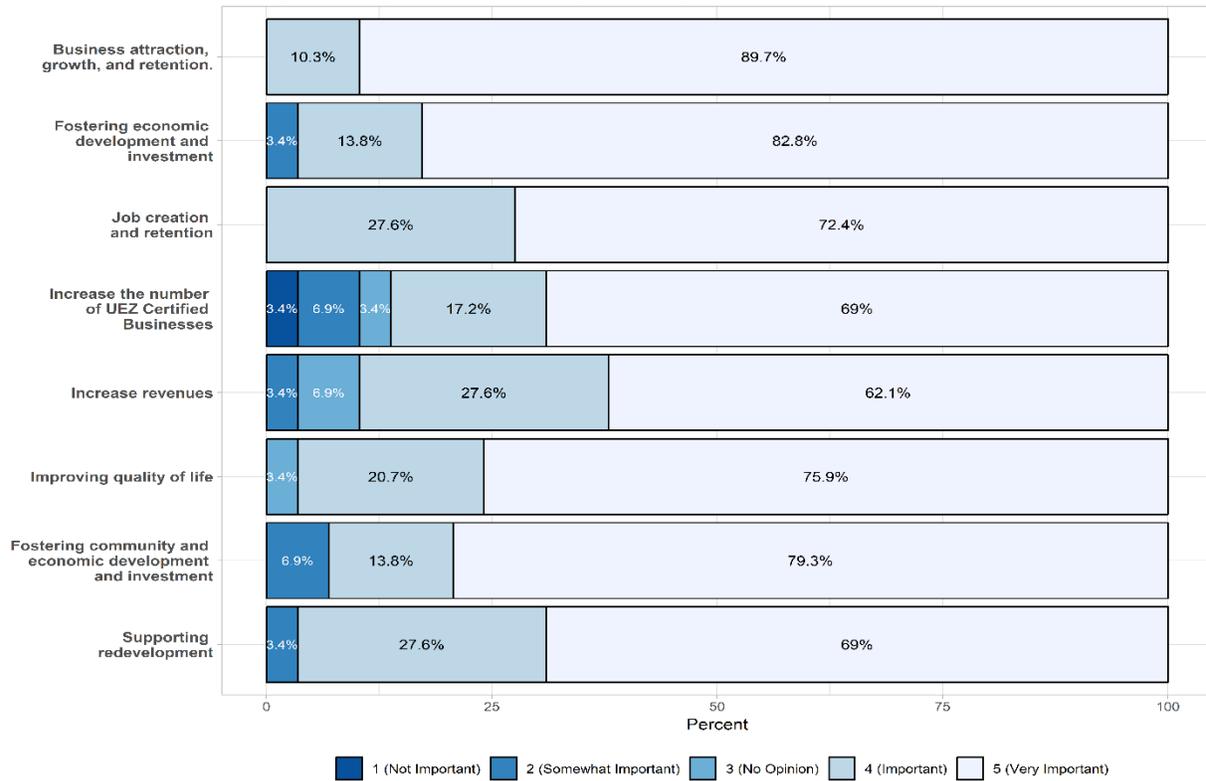
Local UEZ Coordinator Survey

On June 13, 2019, the DCA emailed 35 local UEZ coordinators to make them aware of the survey and to provide them with a link to the Google Form. The survey was kept active and available for survey submission through July 7, 2019. A total of 30 responses were collected. Due to the small universe of local coordinators, the addition or subtraction of each response is notably impactful on survey results; as such, 30 responses out of a 35 coordinator universe equates to a 90 percent confidence interval and a ± 6 percent margin of error. The following is a summary of responses. Full details of the survey can be found in Appendix D.

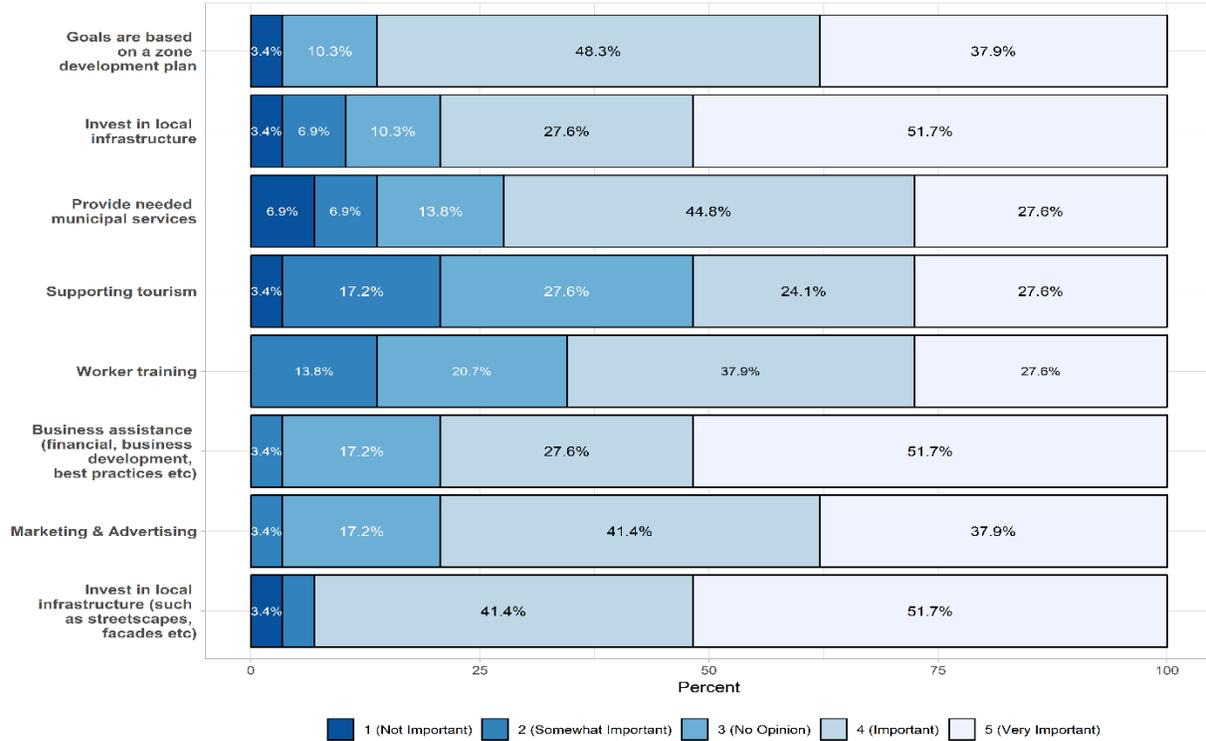
Strengths, Goals and Opportunities

UEZ coordinators universally cite business attraction, growth and retention as an important objective for their UEZ, with all respondents selecting “Important” or “Very Important” to this prompt. From a weighted-average basis, “Fostering Economic Development and Investment,” “Job Creation and Retention,” and “Improving Quality of Life” ranked second, third, and fourth most important, respectively.

What goals or objectives are most important for your UEZ?

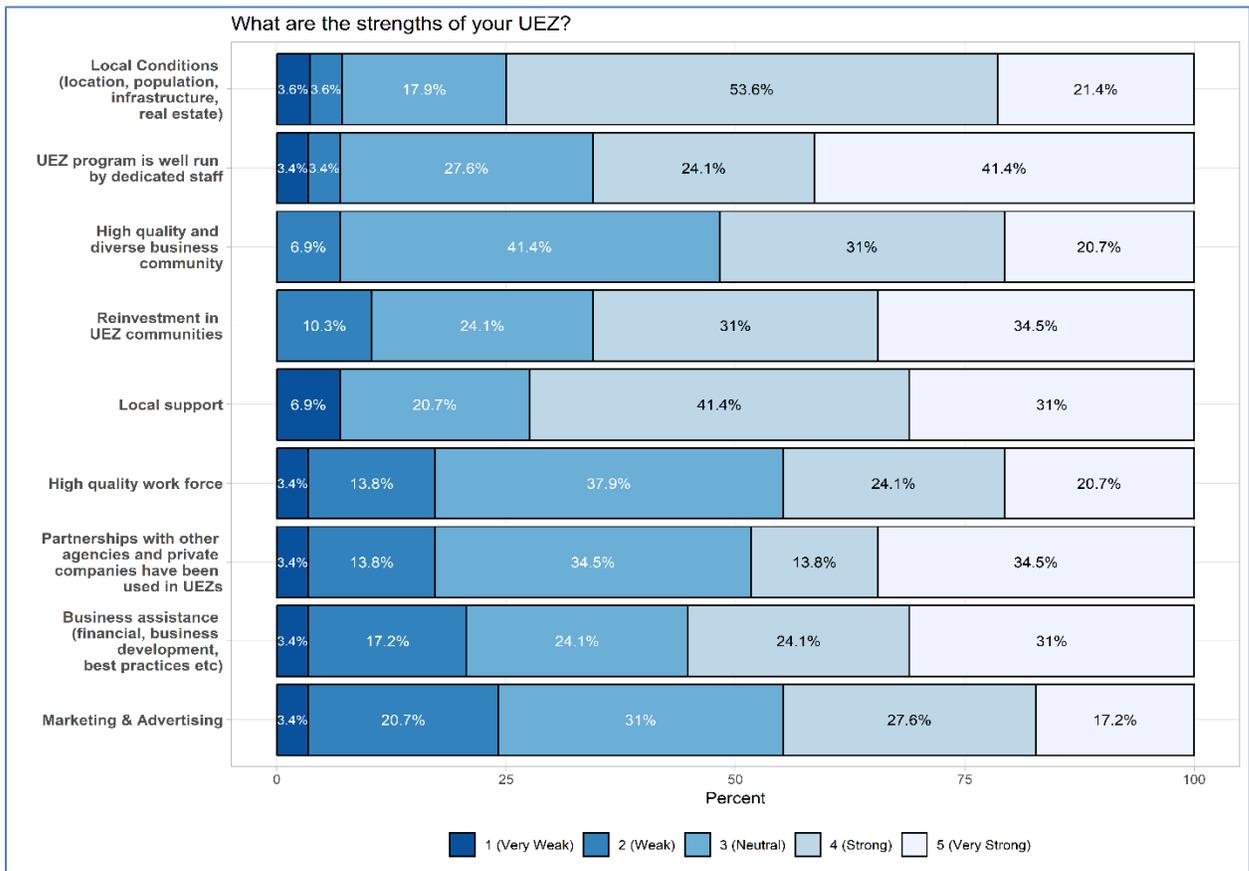


What goals or objectives are most important for your UEZ? (continued)



Coordinators were also enthusiastic as it pertained to the relative strengths of their UEZ. More than 70 percent of coordinators cited local conditions and local support as “Strong” or “Very Strong.” On a weighted-average basis, the statement “UEZ program is well run by dedicated staff” scored highest.

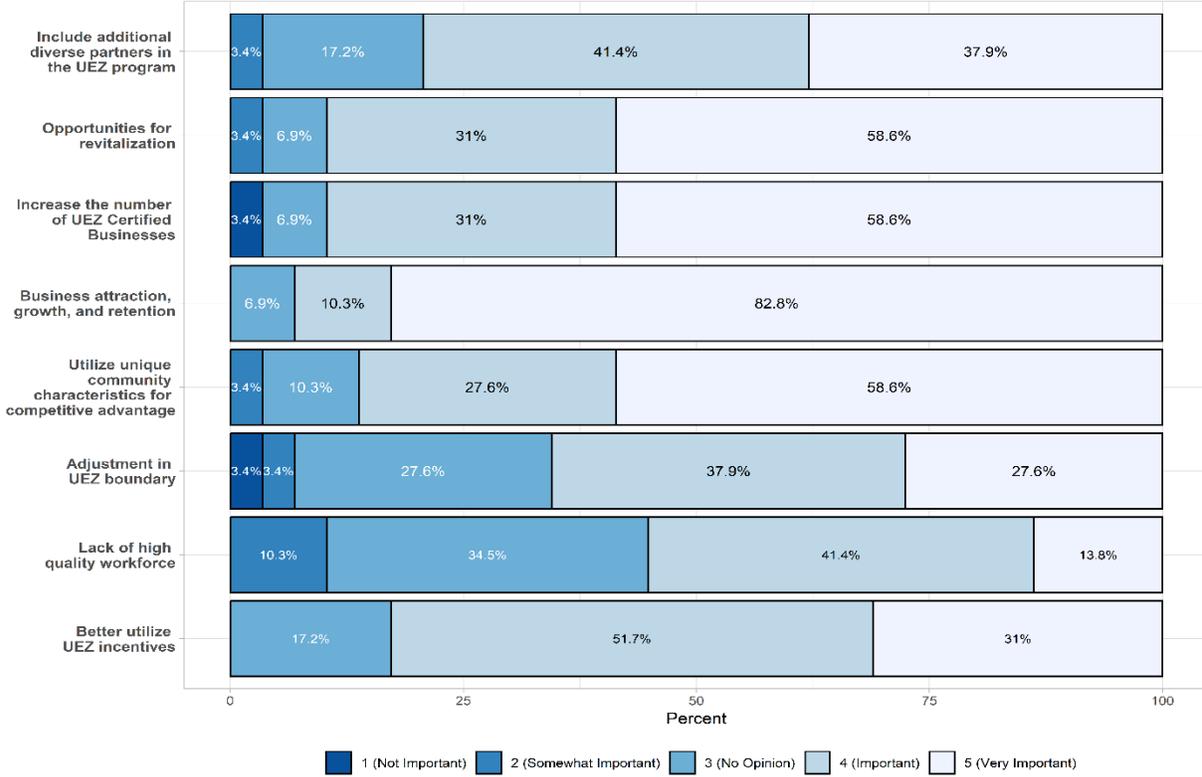
Meanwhile, “Marketing and Advertising” and “Business Assistance (financial, business development, best practices etc.)” received the highest proportion of “Weak” or “Very Weak” responses (3.4 and 20.7 percent, respectively).



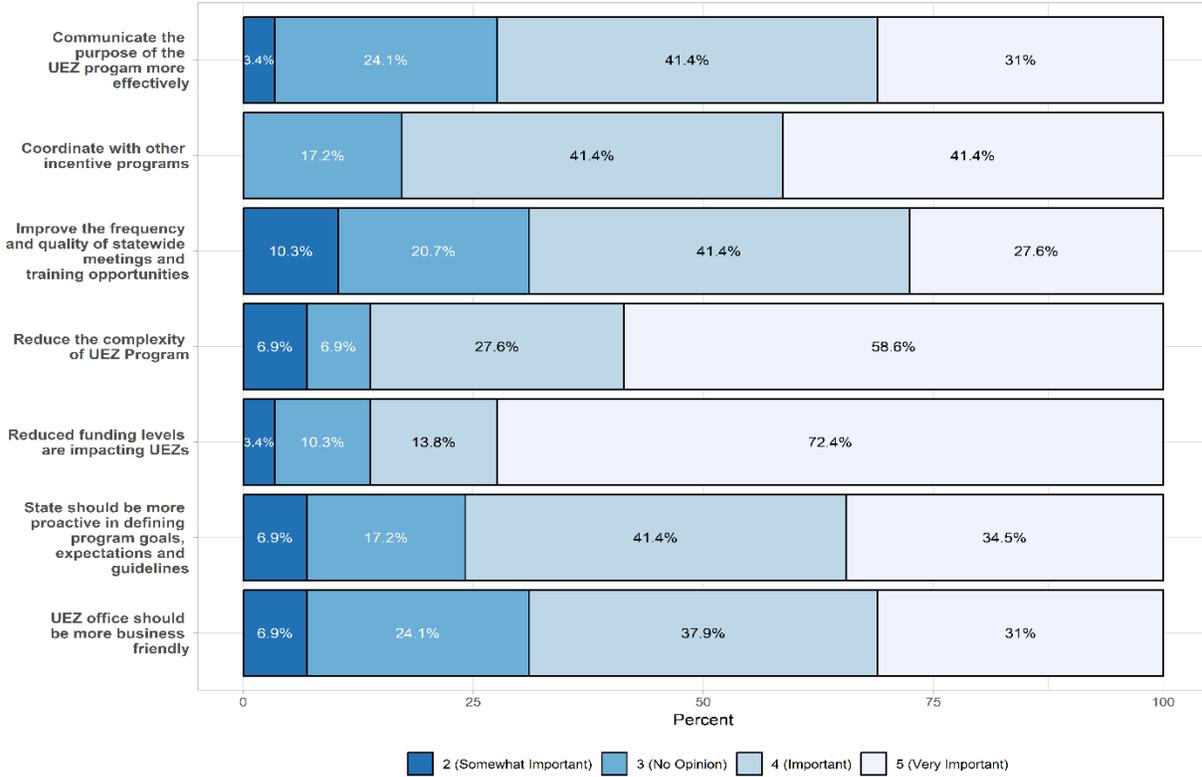
When provided the opportunity to expand on UEZ strengths with a text response, six respondents specifically cited second generation loan programs, the highest ranking response type among a wide variety of responses.

Coordinators were also asked the importance of opportunities for improvement in their UEZs. Responses were skewed towards the positive end, with every question prompting a majority of opportunities as “Important” or “Very Important.”

How important are the following opportunities for improvement in your UEZs?



How important are the following opportunities for improvement in your UEZs? (continued)



Coordinator Impact of 2011 UEZ Changes

Coordinators were asked to provide insight on how the 2011 UEZ changes have impacted their zone. The most common themes referenced were the reduction or elimination of capital investment, grants and loans, and municipal services. When asked what specific services were discontinued since the 2011 UEZ changes, respondents most frequently cited municipal services (e.g., litter collection, additional policing), capital investments, and grant or loan programs. When asked to identify which services were absorbed into the municipal budget, coordinators most frequently cited anti-litter initiatives and the funding of police previously covered by Zone Assistance Funds.

Second Generation Funds

Fifteen survey respondents said their zone have second generation funds, most of which responded that these funds are retained as a revolving loan account. Property acquisition, redevelopment projects, and business assistance loans were the three most common second generating funding activities cited by survey respondents.

Strengths and Recommendations

Coordinators identified a variety of successful activities over the past five years within their zone. One out of every three coordinators responded as having success with business retention and recruitment as well as the retention and growth of jobs. Fewer noted successes in reducing blight or promoting general increases in business investments.

The tax benefits conferred by the UEZ Program were the most cited feature that is viewed as a program strength, while the administration and technical assistance provided by UEZA were also noted by several coordinators as a strength. When given the chance to suggest ways to strengthen the management of the program, or to suggest recommendations to make the UEZ Program a more effective place-based growth strategy for the state, reinstatement of Zone Assistance Funds was the most common response.

CHAPTER 6: STAKEHOLDERS AND UEZ COORDINATOR INTERVIEWS

During interviews with coordinators for the Urban Enterprise Zone (UEZ) Program participants lamented the elimination of Zone Assistance Funds (ZAFs) from the UEZ Program, which removed a valuable tool from their economic development toolbox and stalled the progress of UEZ initiatives. The failure to adequately track outcomes from ZAFs combined with other factors resulted in their ultimate demise. Money from ZAFs was used for loans and grants, marketing, and more. ZAFs, which were generated by proceeds of the UEZ's reduced consumer retail sales tax, provided one of the only sources of dedicated, flexible economic development funding available to these resource-strapped municipalities. As a result, UEZ coordinators called for a reinstatement of those crucial funds in some form. UEZ coordinators also recommended instituting better tracking of the UEZ Program, providing better linkage between UEZ and other state economic development incentives, using a more regional model to assist small municipalities with revolving loan fund management, and creating additional roles for the UEZ Board.

Interview Approach

UEZ coordinators from each of New Jersey's 32 designated Urban Enterprise Zone areas were contacted for a qualitative interview. Ultimately, local coordinators from 15 municipalities completed the interview process in person or via conference call. Interviews lasted approximately one hour and were conducted by The John S. Watson Institute for Public Policy and PEL Analytics. Coordinators were sent a copy of the 26-question survey to review and complete before the in-person or phone interview. They were allowed to use the interview to elaborate on answers to survey questions, which were recorded through notes taken by interviewers. Additional stakeholders interviewed included representatives from the State Legislature, State Departments, and the UEZ Board. All stakeholder interviewees received a survey before in-person or phone interviews. Survey questions are in Appendix E. Subsequently local UEZ coordinators were sent a list of supplemental questions by the research team via email, for supplemental survey questions see Appendix F. Of the 32 Urban Enterprise Zones, the consultants received a response from coordinators in 26 municipalities for the latter set of questions.

While comments are not directly attributed to any participant in particular, interviewees are listed at the end of this section. Common themes from the interviews are incorporated below.

ZAFs Overview

ZAFs were designated by New Jersey state law, P.L. 1983, c.303 (C.52:27H-60 et seq.), which permitted capitalization of the proceeds from the sales tax charged by participating businesses in the zones. An account separate from the sales tax receipts was held by the State Department of the Treasury for each zone with the funds in the account available to the zone for projects.⁴⁹ A 1998 study commissioned by the NJ UEZ Authority concluded that ZAFs were an integral part of the New Jersey UEZ Program, offering municipalities the opportunity to take on economic development projects that they otherwise would not be able to afford. The 1998 study recommended that the State create performance measures for ZAFs. Few could argue ZAFs positive impact to municipalities, developers, and businesses. However, a second study commissioned by the State over a decade later concluded that although it is a highly valuable and flexible funding source, ZAFs lacked appropriate monitoring and metrics for measuring outcome and impact.⁵⁰ Some coordinators noted the loss of ZAFs before the 2011 UEZ Assessment was released but ultimately all ZAFs were eliminated regardless of how much time was left on a municipalities' UEZ designation. Once the funding ceased it became extremely difficult for municipalities to implement programs and follow through with projects supported by ZAFs. Some major projects and downtown improvement efforts stalled. As a result, local coordinators indicated during interviews that they strongly support the reinstatement of ZAFs. Currently, all UEZ revenue goes back to the State.

ZAFs Impact

Since UEZ designations typically coincide with blighted or historically devalued urban areas, ZAFs have been essential to the attraction of developers and new industry. ZAFs have been used to remediate properties, build necessary and supporting infrastructure, demolish unstable structures, and support project funding to attract private equity. A resounding theme from all zone coordinators was the importance of reinstating ZAFs. Coordinators pointed to projects that would not have been possible were it not for Zone Assistance Funds. These projects include development of parks, entertainment venues, stadiums, malls, parking facilities, multi-

⁴⁹ NJ UEZ Authority, 1998.

⁵⁰ NJEDA, 2011.

use spaces with housing and retail, and maker spaces that housed start-up businesses and apprentice programs.

Many of the larger municipalities in the UEZ Program used ZAFs as gap funding for multimillion-dollar project investment. Loan funds established with ZAFs served as financing tools for large scale, mixed use projects. ZAFs allowed for the development of a supermarket that created 120 jobs in one of the UEZ cities where access to healthy foods was a major priority for city leaders and residents. ZAF investments also created hotels and entertainment centers serving as anchors for neighborhoods needing social stability and community engaging activity. A particularly interesting use of funding is illustrated through the Teacher's Village project in Newark, NJ. This is a five-block development located in a once blighted area of the city's downtown that now hosts three charter schools, a day care facility, 204 residential units, 65,000 square feet of retail space, and a fully repaid loan. Newark's Teachers Village is a UEZ success story, sparking interest from states across the nation seeking to duplicate its success. ZAFs give municipalities the bargaining tools necessary to attract major retail when those municipalities have vacant land in need of remediation and surrounding infrastructure development.

Loans, Grants, and Other ZAF Uses

Many of the State's local UEZ programs seek to provide local businesses with small loans or grants for façade improvements or equipment upgrades. Creating and managing these loan funds requires personnel with the appropriate financial acumen and time. Whether it is a small revolving loan fund or a major investment machine, loan management is the key to decreasing default rates and increasing success. Municipalities that have been successful at managing loan funds particularly for large scale development usually create an entity such as an economic development corporation to oversee and create investment strategies for projects like Teacher's Village and The Mills at Jersey Gardens. Both of these projects required scuffling of current state incentive programs and dedicated skilled personnel to manage the loan and repayment process.

Another illustration of the successful use of such an entity can be found in Lakewood Township. Lakewood is not a large city but managed to establish a successful revolving loan fund that negotiates both small and large loans for local projects. Lakewood created an economic development corporation, which included board members involved in finance and partnered with a local bank to create a lending program for large projects. Creating this authority gave

Lakewood the access to personnel dedicated to both loan management and those skilled in finance. Hence the development of Blue Claws Stadium on busy Route 70, which now brings more people to this UEZ corridor to shop, eat, and enjoy stadium events.

The success of Newark, Elizabeth, and Lakewood in managing their loan programs is not typically mirrored in smaller municipalities. Managing loan programs are not always feasible for smaller municipalities. The lack of devoted staff with banking and investment experience makes it difficult to structure loans appropriately and manage repayment. This has led to an uncomfortable level of loan defaults. Yet, most zone coordinators see the need to create a revolving loan fund as critical to the support of UEZ small business success.

One proven benefit for municipalities that have established successful loan programs is second generation funds. Many municipalities with a successful loan program have been able to revolve millions of dollars through their funds. Municipalities have also been innovative with the

2ND GENERATION FUNDS

Municipalities that have used second generation funds to establish a loan fund for businesses in their respective municipalities include but are not limited to Bridgeton, Kearny, Lakewood, Mount Holly, Newark, Paterson, Pemberton, Pleasantville, and Vineland.

types of loans they offer to businesses with some utilizing this funding to provide disaster assistance loans after Hurricane Sandy, as was done in the Township of Lakewood. However, since the elimination of ZAFs many cities are now using second generation funds to support economic development.

ZAFs were also extremely useful in the provision of small grants to main street businesses for façade improvement and streetscapes. In addition, some municipalities used ZAFs to provide public safety personnel, clean teams, and additional lighting to attract both new businesses and increased foot traffic to areas that were perceived as unsafe for economic activity. In most cases coordinators stressed that municipal personnel were designated fully to UEZ corridors. Few municipalities were able to maintain full-time police or clean teams in the zones once ZAFs were eliminated.

The lack of ZAFs caused many municipalities to lay off their UEZ coordinators, significantly downsize UEZ staff or completely close UEZ departments. In the latter cases, UEZ duties were reassigned to municipal staff. Some respondents stated that it is difficult for municipalities to do long-term planning with sliding-scale revenue received from the State. Prior to the elimination of ZAFs municipalities would receive 3 percent, 2 percent, or 1 percent of all reduced rate revenue that the State collected. These provisions were created and maintained in

pursuant to section 29 of P.L. 1983, c.303 (C. 52:27H-88). During 5-year intervals the amount would decrease by 1 percent, and in times that ZAFs were withheld a municipality's revenue was not automatically reinstated at the same rate or even the closer percentage. For example, a municipality could receive revenue at 3 percent, have funds withheld for years and, when funding was reinstated, receive funding at 1 percent. Respondents stated that a percentage point decrease could mean that a municipality would miss out on millions of dollars of revenue, making it difficult to complete large-scale projects. A recommendation for administering ZAFs in the future included providing municipalities with a flat rate of 2 percent for the duration of their UEZ designation. In this case, municipalities would know how much revenue to expect and properly plan ahead.

Some respondents also stated that tracking is too cumbersome for the state and local coordinators, especially since there is a lack of manpower to maintain reporting. One proposed solution was for the Department of Treasury to create yearly UEZ data that the Department of Community Affairs could regularly utilize to monitor results.

Another reoccurring theme from UEZ coordinators included use of ZAFs for marketing of UEZs both locally and throughout the state. Although most zones used ZAFs for social media, messaging on billboards and boots-on-the-ground marketing (flyers, postcards, and local newspapers), many stressed the need to ensure that all businesses and industries know about the UEZ tax incentives as well as the ZAFs, hence the need for statewide marketing.

Some marketing campaigns significantly downsized due to a lack of funding from ZAFs, while other municipalities were able to continue their marketing efforts through a myriad of avenues including regular UEZ business meetings, television commercials in their respective local markets, and flyers in various languages.

Need for Tracking and Other Recommendations

Ultimately UEZ coordinators agreed that a tracking system is needed to have a better gauge of jobs created and businesses sustained or attracted to the UEZs. Coordinators noted that there should be a revisiting and redefining of program successes because large industry players like The Real Consignment Shop in Perth Amboy can attract and employ large numbers of people and did, creating 500 new jobs in their distribution center. However, most UEZ businesses are small and, although central to preservation of the local culture and economy, may attract two to 20 employees at most per business entity. Many interviewees referred to the

difficulties smaller businesses (often referred to as “mom and pop businesses”) face, as they rely heavily on UEZ Program benefits to keep their businesses open. Participants suggested that the New Jersey Department of Community Affairs offer data and mapping systems to provide better tracking.

A successful UEZ Program must be comprehensive, including tax incentives and ZAFs along with coordination with other federal and state economic development programs, according to UEZ coordinators. They pointed to successes of projects that included business expansion and equipment loans, infrastructure investment, job training, housing, and public safety. Coordinators attested to utilizing other state and federal funding and assistance programs such as the Community Development Block Grant (CDBG). Additional programs include those offered by the New Jersey Redevelopment Authority, federal Opportunity Zones, the Neighborhood Preservation Program, and resources from the New Jersey Economic Development Authority.

Coordinators all echoed the same sentiment that the combination of tax incentives along with ZAFs helped to increase the number of jobs in the zones as well as sustain jobs that otherwise would have left, which would have contributed to the continued decline of already distressed areas.

Incentives are an important aspect of the UEZ Program for attracting investment into municipalities; however, some respondents implied that these incentives should not be limited to retail business but should also include real estate, mixed use development, and online businesses especially given the fact that brick and mortar retail businesses are phasing out due to the online shopping industry.

In efforts to maintain fair and consistent assistance from the State, some respondents propose that small municipalities should be regionalized perhaps by county. Regional coordinators can then provide technical assistance and aid small municipalities to register and re-register businesses. Among the challenges that small municipalities face is limited staff making it difficult to maintain consistent data collection and, in some cases as previously noted, difficulties with managing a loan fund program. Furthermore, some respondents attested to larger cities receiving fewer resources when smaller municipalities were welcomed into the UEZ Program.

Municipalities with large immigrant populations face challenges in the labor force due to language barriers, lack of educational attainment, and job skills. In rural municipalities immigrant populations have shifted from transient farm workers to full-time residents. Respondents find it difficult to meet the year-round labor demand of this newly formed

community. Therefore, UEZ outreach efforts and trainings must also cater to this population in the respective municipality.

In reference to improving the New Jersey Urban Enterprise Zone Authority Board (UEZ Board), interviewees suggested that the board work with municipalities to establish a 5-year plan, audit fairly, and, as part of the follow-up to audits, provide successful models that municipalities can emulate. Furthermore, instead of eliminating a zone when a municipality is not compliant, the UEZ Board should prompt municipalities to pay the money back as is done with CDBG funding and provide prescriptive measures for improvement.

In addition, respondents would like to see the establishment of learning networks through regular regional meetings of participating municipalities (North, Central, and South). Each region of the State should also participate in summits and learn from peers through presentations and case studies of municipalities with similar characteristics.

Investment History, Diversity, and Type

In reference to historical investments that were made in municipalities with UEZ funds many local coordinators attested to improving city infrastructure including street scape programs, the hiring and operation of green teams, establishing new parking lots, and in some cases undergoing demolition or rehab of blighted buildings. A plethora of large and small scale projects were completed or started as a result of UEZ funding, and these projects ranged from large capital projects to build theaters, housing developments, and stadiums to as small as crosswalk improvements and art installation in shopping districts. Furthermore, of the UEZ coordinators who were surveyed most utilized funding for revolving loan funds, and marketing, which are both essential factors in the operation and maintenance of the UEZ Program.

The diversity of investments made by UEZs spans to a broad array of areas and includes many small to large scale projects in each zone. Municipalities have successfully exemplified the innovative uses of UEZ funding by establishing diversified portfolios. Table 21 on page 84 shows the types of investments made in UEZs by percentage of surveyed municipalities.

Table 21. Investment strategies by zone

Investment Type	Percentage of Zone Utilization of Fund Investment
Brownfields	11.5%
Business Improvement Grants	3.8%
Downtown/Business District Improvement	26.9 %
Farmer’s Markets	3.8%
Façade Program	38.5%
Fire Fighters	7.6%
Green Team or Clean Project	26.9%
Incubators	3.8%
Industrial Parks	3.8%
Infrastructure Improvements (sewer/sanitation)	15.4%
Large Scale Projects (Public and Private)	73.1%
Main Street/SID Improvement	15.3%
Marketing	53.8%
Park Development	7.7%
Parking lots/Street/Sidewalk Upgrades	34.6%
Police (Business District Safety Patrol)	50.0%
Purchase of Equipment	38.5%
Recreational Events	15.4%
Redevelopment (General)	7.6%
Revolving Loan Fund Program	65.4%
Seminars/Trainings for UEZ Businesses	15.4%
Small Business Development Center	34.6%
Small Scale Projects	50.0%
Streetscapes Project	46.2%
Surveillance Camera Upgrades	11.5%
Video Camera Project	3.8%

A few respondents insinuated that they cannot account for the numerous investments they have made due to the lack of ZAFs funding for the past decade. However, several investment strategies are highlighted in Chapter 7 of this Assessment.

Fiduciary Controls for UEZ Funding

The fiduciary controls that govern UEZ funding significantly differed in the zones. Each municipality or economic development corporation utilizes a series of fund oversight and expenditure approvals. The controls that manage UEZ funds include establishing bank accounts or trust funds with oversight and fund use authorization by the city council by way of resolution, the zone assistance corporation’s board, or comptroller and the local UEZ board. In other cases, the finance department, chief financial officer, and/or the business administrator provide

supervision, and sometimes in conjunction with the municipality's solicitor and/or auditor. Some respondents stated that all municipal departments were required to submit requisitions to the purchasing department to meet all required public spending and expenditure regulations.

Institutional Knowledge, Program Change, and Coordinator Contact Information

It is important to note that there were a few respondents who found difficulty in answering the supplemental questions due to institutional knowledge leaving the municipality when past local UEZ coordinators retired or moved to another job. Moreover, many respondents attested to the ceasing of tracking the program once the State began to withhold Zone Assistance Funds in 2010, which as previously noted caused a shortage of local UEZ staff, or a complete dismantle of staff altogether. One respondent stated that "there is currently no UEZ Program activity outside of the municipal staff aiding local businesses in registering as new UEZ firms." Additionally, when contacting local coordinators for supplemental information the research team utilized the Department of Community Affairs' website to access contact information for outreach efforts. Unfortunately, some of the coordinators listed on the website have changed, and in other cases emails were not accurate which caused obstacles in receiving responses from some zones. In the future, it is recommended that DCA keeps the coordinator's contact information accurate, regularly updated, and more prominent and easily accessible on the website.

Interview Participants and Survey Respondents

Yomaris Alcantara, Building Development Clerk, Town of Guttenberg

Jacqueline Amadeo-Belton, Redevelopment Assistant, City of Pleasantville

Jeannette Aparicio, Economic Development Coordinator, City of Plainfield

Steeve Augustin, Confidential Aide, Township of Hillside

Florence Baron, Director of Development, Jersey City Economic Development Corporation

Isiah Barr, Economic Development Coordinator, Borough of Roselle

David J. Benedetti, Director, Department of Community Development, Township of Pemberton

Mayor J. Christian Bollwage, City of Elizabeth

Chantel Borroum, Chief of Staff, Department of Housing and Community Development, City of Newark

Joshua Brown, Township Manager, Mount Holly Township

Dr. Joseph Buga, Project Manager, Passaic Enterprise Zone Development Corporation

Garvin Cadet, Project Specialist, Department of Economic Development and Grants Oversight, Township of Irvington

Michael Capabianco, City Manager, Asbury Park

Roberta Copeland, Program Manager, of Development and Planning, City of Bridgeton

Randy Convery, Community Organization Specialist, City of Perth Amboy

Benjamin Delisle, Director of Housing and Economic Development, City of Trenton

Daniel Devanney, UEZ Coordinator, City of Elizabeth

Danielle Esser, Chair Designee, New Jersey Urban Enterprise Zone Authority Board

Penni Forestieri, Director – UEZ, City of Paterson

Sandy Forosisky, Director of Economic Development, City of Vineland

Tracy Fredericks, Executive Director, New Jersey Urban Enterprise Zone Program, New Jersey Department of Community Affairs

Gregory Good, UEZ Coordinator, Economic Development Office, City of East Orange

Rick Ginetti, Director of Development, City of Pleasantville

Mayor Reed Gusciora, City of Trenton

Bernel Hall, President and CEO, Newark Community Economic Development Corporation

Lewis Hurd, Public Member, New Jersey Urban Enterprise Zone Authority Board

Valerie Jackson, Director of Economic Development, City of Plainfield

Eric Jaso, Public Member, New Jersey Urban Enterprise Zone Authority Board

Jacob Jones, Director of Community and Economic Development in Long Branch
David Klein, Executive Director/UEZ Coordinator, Lakewood Economic Development Corporation
Victor Klymenko, Economic Development Representative, Borough of Roselle
Allison Ladd, Deputy Mayor/Director, Department of Housing and Community Development,
City of Newark
Edgar Lopez, Director of Neighborhood Revitalization and Workforce Development,
Elizabeth Development Company
Terrence Malloy, UEZ Coordinator, City of Bayonne
Yoshi Mandale, Chief of Staff, City of Trenton
Tom McGough, UEZ Coordinator, Division of Economic Development, City of Trenton
Susan McKeown, Executive Assistant, Department of Administration, City of Elizabeth
Christopher D. Mobley, UEZ Coordinator, Department of Planning and Economic Development,
City of Orange Township
Assemblyman Raj Mukerji, 33rd Legislative District
William O’Dea, Executive Director, Elizabeth Development Company
Joyce Paul, Chief of Staff, Department of Community Affairs
John Peneda, Tax Assessor/KUEZ Coordinator, Town of Kearny
Linda Peyton, City Administrator, City of Pleasantville
Chris Pianese, Town Manager, North Bergen
Michael Powell, Director of Economic Development, City of Paterson
Kevin C. Rabago, Sr., Director, Development and Planning, City of Bridgeton
Barry Rosengarten, UEZ Chairman, City of Perth Amboy
Senator Robert W. Singer, 30th Legislative District
Sherry Rush, Program Technician, New Jersey Urban Enterprise Zone Authority
James Simmons, Executive Assistant, New Jersey Urban Enterprise Zone Authority
Samantha Silvers, Supervising Planner, City of Millville
Joseph Thomas, Economic Development Representative, City of Camden
Chris Watson, Director, Department of Economic and Housing Development, City of Newark
Joan Wilkes, Lakewood Economic Development Corporation
Rafael Zabala, Project Coordinator, City of Newark
Joyce Zayas, Technical Assistant, New Jersey Urban Enterprise Zone Authority
Tammy Zucca, Chief Financial Officer/Treasurer, City of Union City

CHAPTER 7: UEZ PROFILES OF SUCCESS

The following chapter includes highlights of successful UEZ activity from municipalities that responded to the research team’s outreach efforts and completed interviews and/or surveys. It is important to note that the following information has been derived from data that was provided from respondents, and in no way accounts for all the activity in the given municipality. Furthermore, the following information does not indicate that municipalities that are omitted from this chapter lack positive or successful investments. Considering the information consultants have received the following are simply a few notable highlights from a sample of zones.

CITY OF TRENTON ROEBLING MARKET

As the State’s capital city and home to the Mercer County Seat, much of Trenton’s prime real estate is tax exempt and unavailable for redevelopment and potential revenue from property taxes. The existence of the UEZ Program helps to keep and expand businesses in the city. Since the beginning of Trenton’s Urban Enterprise Zone Program in 1985 the City has served more than 890 UEZ businesses, which has created more than 1,142 full- and part-time jobs. These include a variety of professional, retail, manufacturing, financial, and service firms. Hundreds of small businesses as well as large firms have joined the program. These companies have collectively invested more than \$735 million in private funds in the construction of new office space, retail space, in the rehabilitation of commercial and industrial space, and in the purchase of equipment. Zone Assistance Funds made many major projects possible, such as the Roebling Market.

The City used \$433,000 in Zone Assistance Funds to provide infrastructure improvements needed for the Roebling Market including street reconstruction and new traffic lights. The street improvements were essential for the project to provide proper ingress and egress to the \$30 million retail complex in South Trenton, which includes a 142,000 square foot shopping center. Stores include a 65,000 square foot Food Bazaar, retail outlets, and restaurants. A rehabilitated 66,000 square foot office building is occupied by the New Jersey Housing and Mortgage Finance Agency. The total number of jobs in the Roebling Market is 360 workers. The Market occupies part of the original site of the John A. Roebling Wire Works, which made steel cables used in America’s suspension bridges including the Brooklyn Bridge.

CITY OF CAMDEN EYE IN THE SKY PROGRAM

The City of Camden utilized UEZ funding to establish the “Eye in the Sky” program to address crime. This innovative surveillance system includes dozens of cameras in the city, and it not only captures video footage, but can also decipher the sounds of the use of firecrackers, or weaponry such as firearms. This \$1.8 million project began aiding police officers’ investigative efforts in 2011, and this program is still currently in operation today.

CITY OF MOUNT HOLLY 2ND GENERATION FUNDS

The City of Mount Holly has successfully maintained second generation funds and distributed \$1,750,000 in revolving loan funds to businesses in their township. The municipality recoups \$70,000 - \$80,000 annually in interest yearly from these loans.

CITY OF BRIDGETON STEAMWORKS

Urban Enterprise Zones played a key role in creating a satellite college program through Cumberland County College (CCC) called Steamworks that is focused on providing Science Technology Engineering and Math (STEM) related training in the City of Bridgeton. Steamworks's facility is primarily focused on exposing students and employees to the various STEM-related skills necessary in today's workforce. The concept came about because residents in resource-poor communities and minority-majority communities often lack exposure and access to the types of technologies that are predominant in many of today's industries.

The 2014 project used a former framing shop for the facility. The building was purchased by the Cumberland Empowerment Zone Corporation as part of an effort to land bank choice properties for future marketing and development and to avoid properties being acquired by speculators in the Central Business District. The City used \$300,000 in UEZ funding to renovate the building (structural, electric, plumbing, HVAC, etc.) as well as to provide certain equipment. CCC provided computers, software, equipment, curriculum, instructors, and related oversight and management resources. The Cumberland County Improvement Authority also contributed \$75,000 toward the project.

Steamworks is now a collaborative space open to the public (individuals and businesses) that features 3-D printing, scanning, robotics, CNC Router, digital recording studio, Computer Aided Drafting software (AutoCAD), Laser Cutting & Etching, Arduino, and Web Development.

CCC later determined that it was unable to continue its role, and the building, along with machinery, equipment and software, was turned over to the Bridgeton-based nonprofit United Advocacy Group (UAG). Under UAG, Steamworks continues to offer monthly fee-based memberships to the public, which enables entrepreneurs, makers, and craftsman access to equipment, trainings, technical assistance, and potential collaborators needed to launch or scale-up small business operations of their choosing.

One entrepreneur working at Steamworks completed designs and prototypes to be used as part of a food recycling project involving the use of coffee dregs and pulverized jute sack fibers, meshed into ceramic clay to form a lightweight building composite material. Work previously completed at Steamworks led to a National Science Foundation Small Business Innovation Research Grant. Research continues on possible commercial applications. Another entrepreneur is using Steamworks equipment for custom labeling and etching jars and other containers for preserves and custom home decorations as part of her small business operation.

Steamworks also provides STEM workshops, classes, trainings, and summer STEM camps to students and families participating in the Families to College Collaborative, the First Star Mentoring Program, and the Give Something Back Foundation. The focus is on providing pathways to college for foster and underprivileged youth in the greater Bridgeton area. Forty-eight Bridgeton students received 4-year scholarships through the Give Something Back Foundation, and the majority of these students benefited from various trainings and workshops provided through Steamworks. Steamworks also periodically offers unpaid internships as part of work-based training in collaboration with the community development nonprofit organization Pathstone.

**TOWN OF KEARNY
KEARNY AVENUE RETAIL SHOPPING DISTRICT**

The Kearny UEZ (KUEZ) has funded 83 projects since the designation of their UEZ with a total allocated amount of \$29,238,013. These investments include significant improvements to the Kearny Avenue Retail Shopping District via streetscape project. This effort included decorative sidewalks, streetlights, pedestrian corner ramps, kiosks, planters and benches. The streetscape project made Kearny’s main shopping district much more attractive and safe for the shoppers and helped to revitalize the area. A total of \$19,745,725 of UEZ Assistance Funds has been invested in improvements to the appearance, safety and functionality of Kearny’s main shopping districts, as well as other commercial and industrial areas. Furthermore the town established the KUEZ Senior Shopping Bus – This project was very important for senior citizens that could not or were unable to drive. The bus would pick-up and drop off seniors at the main shopping districts in Kearny. To further protect this district and others the Town of Kearny also utilized funding as an innovative approach to flood prevention by undergoing infrastructure improvements as flooding was a major issue in a couple commercial districts in Kearny.

**TOWNSHIP OF LAKEWOOD
BLUE CLAWS STADIUM AND 2ND GENERATION FUNDS**

The Township of Lakewood has transformed its tourism industry by using UEZ funds to build the Blue Claws Stadium which can hold up to 8,000 attendees. This attraction garners thousands of fans to the stadium each year and not only attracts economic stimulation to the stadium, but also to surrounding businesses on Route 70.

Moreover, the Lakewood Development Corporation has successfully established and maintains a 2nd Generation Fund and has been able to lend approximately \$5 million in loans to UEZ businesses. Their portfolio currently includes 54 micro loans, 37 disaster assistance loans (which were established to aid businesses in their efforts to rebuild after Superstorm Sandy), 1 FAP loan, and 1 project loan.

**CITY OF LONG BRANCH
RESIDENTIAL PROJECTS**

The City of Long Branch utilized six million dollars of UEZ funds for planning and development projects which revolutionized business development in the city and allowed them to leverage more than 1.2 billion dollars in new redevelopment projects along the city’s oceanfront. Among these projects are Beachfront North – condos and townhouses that are currently for sale, Pier Village Phases I, II and III – which resulted in successfully building a collection of luxury apartment homes, Beachfront South – two residential towers overlooking the ocean, and other ongoing projects such as Hotel Campus.

CITY OF ELIZABETH THE MILLS AT JERSEY GARDENS MALL

The \$320 million Mills at Jersey Gardens Mall, located in the City of Elizabeth's Urban Enterprise Zone, successfully remediated a 166-acre municipal landfill site while creating an estimated 1,700 construction jobs and more than 4,000 permanent jobs. The UEZ designation helped attract developer Glimcher Realty to the site by providing infrastructure dollars and enabling the Mills to charge a reduced sales tax that attracts customers.

The project demonstrates how UEZ has assisted in leveraging job creation, environmental cleanup, and natural habitat restoration in one of New Jersey's oldest urban industrial areas to provide significant community benefits. The impact includes property tax revenue generated from the project that eases the long-term tax burden of City homeowners. Furthermore, the mall has added hundreds of thousands of dollars in sales tax to the State of New Jersey as well as income tax from the permanent jobs created at the site.

Elizabeth, the fourth largest city in New Jersey with a population of approximately 125,000, had few options for new economic development other than the former brownfield where the Mills (simply called the Jersey Gardens Mall when first built) is located. The City assisted the original developer with the costs of remediation through a \$250,000 low interest loan and offered UEZ dollars to support critical infrastructure changes including a bridge extending to the mall from the New Jersey Turnpike.

Transportation improvements alone cost \$118 million. But the investment in transportation enhancements reaped dividends: The Mills is successful in part because of its prime location off of the New Jersey Turnpike, making it is accessible to the entire tri-state area.

The City sought to ensure that the local community experienced direct benefits from the mall, which also increased local support for the project. For example, an innovative Retail Skills Center was created, with Glimcher Realty donating 4,000 square feet to house the facility. The center provided free retail training and placement assistance to prospective mall employees, providing skills such as customer service and inventory control.

Thus the project not only provided the opportunity for employment but also the ability to gain the training necessary to obtain and perform those jobs. The Center also served as a resource for employers, who could access a pool of talent to meet their employment needs through job fairs, job postings, and referrals. To date, more than 2,000 Elizabeth residents are working at the Mills, which has directly contributed to the reduction in the City's unemployment rate. Meanwhile, the Center, now known as the Workforce Innovation Business Center, has relocated to Union County College.

The more than 15 million people who visit the Mills each year, as well as the increased services that are now available only minutes from Elizabeth's neighborhoods, provide another measure of project success. The 1.7 million square foot complex is home to more than 200 stores and restaurants. In addition, several hotels are now located near the Mills complex that provide lodging services to travelers and visitors as well as large conference rooms for meetings and events. Serving as a destination venue attracts visitors to the City, which also positively impacts the local economy.

In addition to providing shopping services to Elizabeth residents, the Mills has advocated sound environmental planning and turned what once was an eyesore into an aesthetically pleasing structure. The Mills has received nationwide acclaim for its brownfield remediation efforts.

**CITY OF NEWARK
COMMUNITY IMPROVEMENTS**

The City of Newark has utilized its loan fund to serve as gap financing for large-scale mixed-use development projects within UEZ boundaries. These developments include, Teachers Village, a mixed-use community in the heart of Downtown Newark, located on five blocks along Halsey Street and Market Street which serves as the nucleus of a thriving downtown arts and education district. The Village features six (6) new buildings consisting of 3 charter schools and a daycare, 204 residential units, and 65,000 square feet of retail.

Another crucial business that was established with partial funding from the loan fund is Food Depot, a 31,000-square foot facility offering fresh produce and a range of food. This business was the first new supermarket in 22 years in Newark's Central Ward and it met the needs of neighborhood by providing health options in what was long considered a food desert due to the lack of nutritional food options. The total project cost was \$8,000,000 of which \$2,000,000 was provided with UEZ financing. Food Depot employs over 120 people of which more than 75% are Newark residents.

The city's loan fund also provided construction financing for CityPlex 12, a 12-screen theater which is the first all-digital, stadium seating, 3D-capable movie theater in Newark. CityPlex 12 employs over 50 people and serves thousands of Newark residents annually. The theater also offers free films for children during the summer.

**TOWNSHIP OF PEMBERTON
PRIVATE INVESTMENTS**

The Township of Pemberton utilized approximately \$1 million in second generation funds for acquisition and demolition of substandard buildings to encourage redevelopment to at the Browns Mills Shopping Center and Juliustown Road. This effort was completed in conjunction with municipal funding, and it ended a nearly two decade investment standstill of this blighted area. The township is currently in a redevelopment agreement with private developers to establish the future infrastructure of the area.

Other private investments include the Virtua Medical Offices, the DaVita Dialysis Center, and the Deborah Hospital Medical Building, some of the aforementioned investors utilized the sales tax reimbursement program for the development of their respective project.

**CITY OF PLEASANTVILLE
LOANS AND BUSINESS ATTRACTION**

The City of Pleasantville has utilized second generation funds to provide loans to large and small companies ranging from Admiral Nissan Inc., Reliance Medical Group, and Jennings Funeral Home. The city also used ZAF to improve its Central Improvement District and Center City by revitalizing a strip mall, attracting mixed-used development, and the relocation of Ben Franklin Plumbing and One Hour Heating & Air, creating approximately 200 jobs.

CITY OF VINELAND
REVOLVING LOAN FUND AND HEALTHCARE IMPROVEMENTS

The City of Vineland has issued 576 UEZ loans totaling \$228,278,809 from the recycling of loan funds. These second generation funds have leveraged an additional \$500,000,000 in private investment and has created over 10,000 jobs, and over \$150,000,000 in real estate ratables for the city.

Vineland has also utilized UEZ funding as a catalyst to assist in creating more industrial districts within their municipality including Vineland Industrial Park North (50 industries), Vineland Industrial Park South (24 industries), Airport Commerce Park (15 industries), the Blackwater Industrial Park (currently 1 industry with 2 more planned), and NEP Industrial Park (a 250 acre complex for Northeast Precast).

The city purchased 15 acres of a used car scrap yard at Western Gateway to downtown Vineland. This was the catalyst for commercial corridor revitalization, resulting in over \$19 million in real estate ratables and approximately 200 jobs. A profit was realized on the sale of the land which repaid original UEZ funds utilized. Furthermore, the city completed 48 comprehensive façade renovations in the downtown/Main Street with over 60 new businesses and 150 jobs created as a result of UEZ support for Main Street Vineland.

Most notably, the UEZ Program provided much needed funding to improve healthcare access in the region. Firstly, by providing funding needed for sewer infrastructure to locate a new regional medical center in the Vineland UEZ. This was a catalyst for the development of a medical corridor creating over 2,000 jobs and \$428 million in additional real estate ratables - excluding the regional medical center.

Furthermore, UEZ funding was used to purchase a vacant hospital in the Vineland UEZ resulting from the construction of the new regional medical center. The site was subdivided into 8 lots and is currently being redeveloped into two senior housing projects, an assisted living facility and a medical office building. When completed the project will result in over \$50 million of new investment and over 100 jobs. The original UEZ investment will be repaid through the sale of the land parcels/lots.

CHAPTER 8: STATE AND INTERNATIONAL EZ MODELS

In order to provide a comprehensive assessment of New Jersey's Urban Enterprise Zones, it is critical to examine the use and effectiveness of Enterprise Zones (EZ) in other states and countries. This review examines whether the Enterprise Zone has proven to be effective as a tool to stimulate private investment and jobs in economically distressed areas by providing tax incentives and regulatory guidance. The results are mixed. It appears that some Enterprise Zone programs have been effective at creating jobs and increasing development, depending on how they are structured. In addition, local governments in certain cases have seen growth in local tax revenue. But critics of Enterprise Zones note that often jobs are simply cannibalized from neighboring municipalities or even from within the municipality itself, and frequently the jobs and development that are created have been highly subsidized. In some cases, the program appears to be benefiting wealthier areas as opposed to those that are more distressed. Programs should be structured to avoid excessive inflation of land values in order to prevent incentives to property owners to increase rents hence, limiting business expansion, retention, or attraction in the zone. To avoid pitfalls, the literature suggests targeting programs to needs of the specific geographic area rather than adopting a generic, blanket approach and incorporating other resources such as job training and infrastructure development. New Jersey's original UEZ Program appeared to be more robust than those reviewed in other states, in part because of the ZAFs that are now gone except for limited second-generation funds. But one area where New Jersey could look to other states is regulating the amount of time that businesses can be certified in the program; some states use 10 years as a guide so that the state is not supporting the business in perpetuity.

Origins of Enterprise Zones

The concept of enterprise zone policy comes from British urban planner Sir Peter Hall. In his 1977 address to the British Royal Town Planning Institute, he offered this approach as a means to remedy the blight of inner cities by attracting small firm developments and business relocations.⁵¹ Since then numerous enterprise zone models have been implemented worldwide, including in the United States, various parts of Europe, and China.

⁵¹ et. al. Hall, 1982.

U.S. Enterprise Zone Literature Review

According to the National Conference of State Legislators, 43 states have Enterprise Zones equaling approximately 3,600. Louisiana at one time had 1,740 EZs. In all EZ programs the outcome sought is to incentivize businesses to locate in the zone and provide jobs, contributing to revitalization of the zones. The trend for the EZ programs that have been in existence for decades is to gravitate to tax abatements and incentives that subsidize businesses purchases of equipment, goods and materials; reducing production costs to the business, thus increasing profitability.⁵²

However, in his report, “Why Don’t Enterprise Zones Work,” Jim Landers suggests that Enterprise Zones cannot overcome “...all of the physical, social and economic barriers to revitalization...that persist in economically distressed areas.” The Enterprise Zone is just one tool in trying to affect economic change in distressed areas.⁵³

Furthermore, Landers supports the argument made by some economic scholars that capitalization of tax abatement and incentive policies into EZ property values may contribute to poor or varied outcomes in EZs. Therefore, Enterprise Zone guidelines must guard against shifts in capitalization away from firms and towards property owners. When EZ property values rise, it may indicate an invigoration of the local property market and economic improvement for property owners.⁵⁴ This conversely affects the profitability of firms located in the EZ. Since the goal of the EZ is to support business retention and attraction to the EZ, securing job retention and growth, it is critical to ensure that the most distressed areas are the benefactors of EZ designation. This ensures that the focus remains on incentivizing business growth and not necessarily increased profits for property owners.⁵⁵ Other critics of EZs point to failed policy, noting that businesses are not held accountable for real job creation; instead, creating increased rate of job transfer from outside to inside the zone.⁵⁶ For EZ’s to be successful government must go beyond tax incentives and provide a trained and educated workforce, solid infrastructure, and carefully planned transportation among other economic drivers.⁵⁷

In the U.S., enterprise zones are designed to provide resources to distressed areas that lack the ability to positively improve conditions of municipalities due to a lack of revenue and

⁵² Landers, 2006.

⁵³ Ibid.

⁵⁴ Ibid.

⁵⁵ Ibid.

⁵⁶ Bartlett, 2014.

⁵⁷ Bartlett, 2014.

resources; these areas can include urban and rural towns. Zones typically are characterized by urban decay, unemployment, and a dwindling industrial and tax bases; these zones can “be characterized as a geographic zone within a boundary of an urban area where certain types of economic activities are encouraged and stimulated by a set of policy instruments that are not generally applicable outside the zone.”⁵⁸

In 1983, the New Jersey State Legislature enacted the New Jersey Urban Enterprise Zone Act to aid in the process of revitalizing economically distressed areas. Criteria for these areas included high unemployment, deteriorating tax bases, low investment, and abandoned industrial and commercial buildings.⁵⁹ At the inception of the program there were 10 UEZ designated zones; today there are 32 zones functioning under the umbrella of the New Jersey Department of Community Affairs.

Like New Jersey, over the last two decades, many states have incorporated a UEZ Program with documented increase in zone designations. Some consider their zones successful and continue to redesign and expand and others have eliminated zones as they still seek to find solutions to the age-long problem of blight and poverty. Indiana has an innovative program model that allows enterprise zones in municipalities with closed military bases. Among the tax incentives the state offers are: Investment Cost Credit – a tax credit for equity investment in a zone business that is equal to a maximum of 30 percent of the price of ownership interest purchased by the taxpayer; Property Tax Investment Deduction – a property tax deduction for purchasing of a new building, rehabilitation and repair costs, infrastructure improvements, and retooling new machinery; and Employment Expense Credit – tax incremental wages for zone businesses that hire zone residents.⁶⁰

California is symbolic of a state whose leaders deliberated for years as to the effectiveness of its UEZ Program. The state had a spirited political debate as to the pros and cons of the zones with data driven arguments to both eliminate and continue the programs across the state. Although both sides would agree that California’s zone program yielded an increase in businesses,⁶¹ the state ultimately phased the program out completely. The elimination occurred after state leadership made efforts to introduce legislation to enhance the program by offering

⁵⁸ Ge, 1995.

⁵⁹ Owusu, 2014.

⁶⁰ Landers & Faulk, 2005.

⁶¹ Moore, 2003.

incentives for job creation and increases in existing UEZ business, which had been proven to positively impact zone effectiveness in other states.⁶²

Previous enterprise zone evaluations show states that provide both community development and job training resources to participating municipalities experience job growth as opposed to states that do not provide these resources.⁶³ Other studies suggest that economic impact does not rely on the amount of aid a zone receives or the specifics of zone design,⁶⁴ but rather place-based policy.

A study that evaluated 357 zones across 17 states indicated that 61 percent of EZ jobs went to local hires. However, states with a larger number of zones had a negative impact on zone success.⁶⁵ In 2017, 21 states operated zones that also offered tiered incentives similar to New Jersey's UEZ Program including Arkansas, Maine, Missouri, Oklahoma, South Carolina, and Tennessee.⁶⁶ However, extensive studies of all current Urban Enterprise Zones in the U.S. have yet to be conducted. Moreover, a study published as recently as 2019 called for more precise data collection in enterprise zones and more research on comparing various types of UEZ models.⁶⁷ There also remains a need for integrated information technology and data tracking systems for both zone coordinators and researchers.

Furthermore, enterprise zones proved to be more successful when there was significant investment in quality of life and the service industry.⁶⁸ It is important to note that implementing blanket UEZ public policy may prove difficult to successfully track hence appearing ineffective. The most successful models take a demand specific and place-based approach.⁶⁹ In other words, programs must be designed based on both industry and geography to meet the specific needs of the zone.

⁶² California Department of Housing and Community Development, 2014.

⁶³ Beck, 2001.

⁶⁴ et al. Bondonio & Engberg, 2000.

⁶⁵ et al. Erickson and Friedman, 1991.

⁶⁶ Chaudhary & Potter, 2019.

⁶⁷ Ibid.

⁶⁸ Beck, 2001.

⁶⁹ Chaudhary & Potter, 2019.

Other States Case Studies

Pennsylvania

Encompassing about 128 acres, the Neighborhood Improvement Zone (NIZ) in Allentown’s downtown and along the city’s Lehigh River waterfront is a “one-of-a-kind” taxing district where certain state and local tax revenues – not school and property tax revenues – are used to pay construction debt for developments such as the 8,500-seat, \$180 million PPL Center sports arena, a public-private venture, and the City Center Lehigh Valley, which is a mixed-use private development of a hotel, restaurants, Class A offices, upscale housing, and retail space.⁷⁰

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State law created Allentown’s NIZ in 2009 and a revision happened in 2016. The Allentown Neighborhood Improvement Zone Development Authority (ANIZDA) oversees the program, which proponents say is responsible for \$700 million in rapid and transformative new development within the zone over the last five years.⁷²

Aside from being geographically situated within the NIZ, a project must also meet pre-qualification criteria set by ANIZDA. Any new business that seeks to locate within the zone or any existing business there must determine its future incremental increase in tax revenue generated as a result of its proposed project and may use the future tax revenue as collateral toward financing. Developers working in the zone can also provide rent credits to business tenants that seek affordable yet new office space.⁷³

In 2018, ANIZDA sent \$36.3 million in tax revenues to developers working in the NIZ, a record allocation, as reported by *The Morning Call*. The money, which is to be used to pay construction debt, represents more than half of the \$71.4 million of total NIZ revenue generated in 2018, the newspaper reported, noting total revenues were higher in 2017 and 2016.⁷⁴

“Before the creation of the NIZ, downtown Allentown generated about \$22 million a year in state tax revenue. ANIZDA is required to return that amount annually to the Pennsylvania Department of Revenue if it has that much left over after allocating funds to developers and

⁷⁰ City Center Allentown Report on NIZ, 2018.

⁷¹ Wagaman, May 20, 2019.

⁷² Ibid.

⁷³ Allentown Neighborhood Improvement Zone Development Authority, program guidelines for 2018.

⁷⁴ Wagaman, May 2, 2019.

paying its arena debt. It did the last two years, but fell short this year,” the newspaper reported, explaining that the authority transferred \$20.43 million in tax revenues back to the state.⁷⁵

Critics of the NIZ point to the neighborhoods adjacent to the zone that have poverty rates approaching 40 percent, and say development is highly subsidized and only directed to the zone at the expense of the rest of the city. And any property taxes generated within the zone do not compare to the generous handouts to developers who build there.⁷⁶

For 2019, Allentown property owners will pay 27 percent more in real estate taxes to the city, the first increase in the tax they have seen in 13 years. The money is to fund the city’s \$6 million structural deficit. That property tax increase, however, would have been greater had it not been for the NIZ property owners contributing to the tax base, City Center Investment Corp. CEO J.B. Reilly said during a presentation in May before Allentown City Council.⁷⁷

As reported by The Morning Call: “Citing Lehigh County assessment data, Reilly said City Center properties in 2018 generated nearly \$5 million more in total property tax revenue than they were generating prior to the creation of the NIZ. This year, Reilly said he expects the figure to increase to \$7 million — \$5 million to the Allentown School District, \$1.1 million to the city and about \$900,000 to the county.”⁷⁸

A program modeled after the NIZ yet applicable to select Pennsylvania third class cities like Allentown is the Community Revitalization and Improvement Zone (CRIZ). Signed into law under Act 52 of 2013 by then-Gov. Tom Corbett – and amended under Act 84 of 2016 – the CRIZ is as an initiative to spur growth and revive downtowns in select third-class cities and, under a “pilot zone” provision, a township or borough. Portions of state and local taxes collected in a designated CRIZ may be used to repay debt associated with in-zone economic stimulus projects. Areas that qualify for CRIZ designation include parcels up to 130 acres that are deemed desolate, abandoned, vacant, or underused.⁷⁹

Administration of the CRIZ program falls under the Governor’s Office of Budget, Pennsylvania Department of Community and Economic Development and Pennsylvania Department of Revenue. Also, a local municipal authority for the CRIZ issues bonds and tax revenues generated within the zone ultimately pay off the bonds, according to the state.⁸⁰

⁷⁵ Ibid.

⁷⁶ Wagaman, May 20, 2019.

⁷⁷ Ibid.

⁷⁸ Ibid.

⁷⁹ Pedersen, 2018.

⁸⁰ Pennsylvania Department of Community and Economic Development, CRIZ program guidelines, 2019.

Eligibility guidelines for CRIZ municipalities include:

- A city with a population of at least 30,000 based upon the most recent federal decennial census designated as distressed under the Act of July 10, 1987, (P.L. 246, No. 47) that is not located in a home rule county.
- A home rule county where a city with a population of at least 30,000 based upon the most recent federal decennial census designated as distressed under the Act of July 10, 1987, (P.L. 246, No. 47).
- A city of the third class with a population of at least 30,000 based upon the most recent federal decennial census, so long as the city has not had a receiver appointed under Chapter 7 of the Act of July 10, 1987, (P.L. 246, No. 47).
- CRIZ also permits one pilot zone to be designated. A pilot zone is an area of not more than 130 acres designated by a contracting authority within a township or borough with a population of at least 7,000 based on the most recent federal decennial census.⁸¹

The independent CRIZ authority must identify and map businesses and construction contractors situated in the zone and share such information with the Pennsylvania Department of Revenue. Additionally, there is an annual reporting requirement for all businesses situated within the CRIZ, where incentives can be applicable for up to 30 years.⁸²

CRIZ funds may be used to pay debt service on bonds issued for construction, site preparation, infrastructure improvement, or the renovation of a building within the zone; improvement or development of all or part of a zone; and employment of an independent auditor, according to the DCED.⁸³

According to the Pennsylvania DCED, a CRIZ “may not overlap with active Keystone Opportunity Zones (KOZs), Keystone Opportunity Expansion Zones (KOEZs), Keystone Opportunity Improvement Zones (KOIZs) [Opportunity Zones, collectively] or Strategic Development Areas (SDAs). And a CRIZ may not include Keystone Special Development Zones (KSDZs) or Keystone Innovations Zones (KIZs) unless and until modifications to the geographical boundaries are made to the KSDZ or KIZ.”⁸⁴

⁸¹ Ibid.

⁸² Ibid.

⁸³ Ibid.

⁸⁴ Ibid.

Three municipalities have participated in the CRIZ program since its inception: Bethlehem and Lancaster cities and Tamaqua Borough. Of those, Lancaster has experienced the most rapid development attributed to the CRIZ.⁸⁵

But like their counterparts in Allentown and other third class cities in Pennsylvania, Lancaster officials struggle to develop an annual budget because they are hamstrung by Act 511 of 1965 – The Local Tax Enabling Act – that limits how they raise revenues other than increases to the property tax. As a result, Lancaster has raised property taxes eight of the last 14 years, Mayor Danene Sorace told a Pennsylvania Senate committee meeting in July, adding that despite a vibrant downtown and ongoing development in the CRIZ, there remains a structural deficit growing by 2 percent every year.⁸⁶

“We do not have the tools that we need to continue to maintain the essential services that our residents rely on every single day,” she said.⁸⁷

And despite all the redevelopment in Lancaster, property assessments in the city grew by a mere 1.35 percent over the past decade, she added.

“There’s so much development,” Sorace told the committee, rattling off projects completed or underway in the CRIZ, “but it doesn’t translate into income for this city. It does not translate into income for this city. There, I said it twice so that you underscore that.” Mayors from York and Harrisburg attending the committee hearing echoed Sorace’s statements.⁸⁸

“The state will be as strong as its weakest city,” Reading City Council President Jeffrey S. Waltman Sr. told the committee, noting he’s concerned that the financial picture of third class cities are such that they have become “center points of the poor.”⁸⁹

Ohio

Businesses that benefit from Ohio’s Enterprise Zone program include an 87-year-old boot-making company that combined the tax credit with a separate job-growth initiative to increase the size of its distribution warehouse by 94,000 square feet, create 14 new positions at its corporate headquarters, and retain its 315-person workforce in Southeastern Ohio.⁹⁰

⁸⁵ Previti, 2017.

⁸⁶ Pa. Senate Video, “Joint Workshop on Economic Health of PA’s Cities of the Third Class.” July 8, 2019.

⁸⁷ Ibid.

⁸⁸ Ibid.

⁸⁹ Ibid.

⁹⁰ Eaton, 2019.

In Western Ohio, a metal fabricating company and beneficiary of the OEZ's 10-year, 75 percent tax abatement, added 40,000 square feet onto its factory, an \$8 million expansion the owner said would keep the company competitive.⁹¹

Looking to the program, officials in the Northeastern Ohio city of Canton sought to designate a 34-year-old downtown hotel as an OEZ so as to lure a buyer who would renovate rooms, receiving the tax break on improvements, and operate under a brand name.⁹² In October, however, the Canton school board agreed with the city to extend the tax abatement for the hotel project to 15 years. The OEZ guidelines generally call for a 10-year abatement but do allow for such an extension provided there is local school board approval.⁹³ The hotel, which was sold for \$3.8 million, will undergo a reported \$20 million in renovations starting in the late fall of 2019.

Ohio's Development Services Agency (ODSA) lists 412 regions in the state's Enterprise Zone program. Municipal and county governments administer the program and set up local legislative authorities to identify OEZs while the ODSA certifies the zone's creation and maintains the records of zone agreements in its online database.⁹⁶

In its most recent report, the ODSA attributed the creation of 34,668 full-time jobs in 2017 to the OEZ program. Additionally, the agency reported, local communities in 2017 collected more than \$343.3 million in "real property investments made in conjunction with the enterprise zone agreements and abated more than \$300.2 million in potential real property tax."⁹⁷

Initially, the program was established in 1982 to provide tax incentives to businesses in the state's historically distressed urban areas, but the eligibility criteria broadened over the years to include more regions in Ohio that critics of the program argue are neither depressed nor urban. A 2003 study by Kent State University political science Professor Mark Cassell determined the OEZ benefited Ohio's wealthier regions more than the urban, distressed regions the law was designed to uplift.⁹⁸ Tax reforms implemented in 2005 resulted in a decrease in the use of the OEZ program though the ODSA maintained in a November 2012 report that the program

⁹¹ Karim, 2019.

⁹² Staff report, Canton Repository, June 16, 2019.

⁹³ Ibid.

⁹⁴ Byer, Aug. 12, 2019.

⁹⁵ Matas, Oct. 17, 2019.

⁹⁶ ODSA online database URL: <https://development.ohio.gov/OTEISearch/ez/>.

⁹⁷ ODSA Fiscal Year 2018 annual report, Appendix 4.

⁹⁸ Cassell, 2003.

“continues to have a significant impact on Ohio’s economy and remains an integral part of the economic development strategy of many local governments.”⁹⁹

According to the Ohio Development Services Agency, businesses accepted into the program may receive incentives in the form of tax exemptions on “eligible new investment.” The exemptions can apply to “a portion of the value of new real and personal property investment (when that personal property is still taxable) when the investment is made in conjunction with a project that includes job creation. Existing land values and existing building values are not eligible (except as noted within rare circumstances),” as with the redevelopment of brownfields.¹⁰⁰

The ODSA specifies that the OEZ is one of several programs to encourage economic growth and/or job retention; the agency considers the OEZ to be an economic development tool of “last resort” and used only if a business needs further inducement to move forward on a project. The state agency posts a lengthy list of criteria that enable county and local governments to create and/or amend an OEZ. For larger counties (population at least 300,000), a minimum of 4,000 people must reside in the OEZ; for smaller counties, at least 1,000 residents must live within the zone boundary, according to the state.¹⁰¹

In Ohio, there are two types of Enterprise Zones: Distress-based or “full authority” zones and non-distressed-based or limited-authority zones. Most OEZs are of the limited-authority variant because the state amended regulations that required all zones certified before July 1, 1994, to be limited-authority unless the zone is recertified as full-authority.¹⁰²

Metropolitan Statistical Area Principal Cities and so-called Appalachian counties may take advantage of the full-authority zone should these areas meet one of six distress criteria. Other locations in the state are required to document two of the distress criteria listed below:¹⁰³

1. 125 percent of the state average unemployment during the most recent 12 months
2. At least 10 percent population loss between 1980 and 2000
3. Prevalence (minimum of 5 percent) of vacant or demolished commercial or industrial facilities
4. 51 percent of the population is below 80 percent of the area’s median income

⁹⁹ ODSA 2011 Enterprise Zone Annual Report downloaded from URL: <https://development.ohio.gov/files/reports/2011EZAnnualReport.pdf>.

¹⁰⁰ OEZ guidelines downloaded from URL: https://development.ohio.gov/files/bs/ez_OhioEnterpriseZoneProgram.doc.

¹⁰¹ Ibid.

¹⁰² Ibid.

¹⁰³ Ibid.

5. Specific vacant industrial facilities (zone applies to only those facilities)
6. Income weighted tax capacity of the school district is below 70 percent of the state average.

Other communities in Ohio may opt for the limited-authority EZ, which does not require any documentation of economic distress. According to the ODCA, however, communities in limited-authority zones “may not consider projects (enter into agreements) involving intrastate relocations unless a waiver is obtained from the Director of ODSA.”¹⁰⁴

New York

Established by Article 21 of the Economic Development Law and given much fanfare from Gov. Andrew Cuomo amid a \$53 million publicity campaign, STARTUP-NY aims to partner businesses relocating to or expanding in New York State with the human capital found within a state college or university.¹⁰⁵

According to the state regulations, STARTUP-NY exists to “promote entrepreneurialism and job creation by transforming higher education to create tax-free communities across the State, particularly in upstate New York, to attract high-tech and other start-ups, venture capital, new business and investments from across the world.” The regulations further state the program offers a 10-year tax exemption to encourage high-tech companies “to start, grow and stay in New York.”¹⁰⁶ Additionally, the program may exempt a company’s new or expanding workforce from state income taxes for up to 10 years.

Colleges and universities select their business partners based on how the collaborative work aligns with academic and research endeavors and builds the local economy. Empire State Development administers the program and lists nearly a dozen categories of ineligible businesses, some of which include retail, food service, medical, dental, law, accounting, and real estate.¹⁰⁷

According to the New York Department of Taxation and Finance, employees of approved STARTUP-NY businesses may exclude all or part of their wages from New York’s personal income taxes. The exemptions apply to the New York City resident income tax, the Yonkers

¹⁰⁴ Ibid.

¹⁰⁵ Campanile, 2017.

¹⁰⁶ STARTUP-NY Regulations, URL: <https://esd.ny.gov/startup-ny-program>.

¹⁰⁷ Ibid.

resident income tax surcharge, and the Yonkers nonresident earnings tax. Businesses that participate in STARTUP-NY must report their employment numbers annually or be dropped from the program.¹⁰⁸

A 2017 analysis by Newsday pointed to the exodus of 15 of 28 Long Island-based companies that dropped out of STARTUP-NY. Citing interviews with CEOs, the newspaper reported the businesses left for reasons such as “the high cost of doing business here, the dearth of local venture capital, the lure of New York City’s more vibrant tech scene and state bureaucracy that requires filing employment reports to obtain tax refunds each year.”¹⁰⁹

Critics of STARTUP-NY and the Democratic governor point to the program’s low number of 408 jobs generated in its first two years, a small return considering the millions spent to advertise upstate and rural New York, and also Long Island as potential locales for tech startups. Additionally, the critics say the tax breaks for largely small-staffed companies like tech start-ups are not worth the program’s cumbersome application and approval process and annual reporting requirements.¹¹⁰

In its 2018 Comprehensive Economic Development annual report, Empire State Development said there were 176 businesses in STARTUP-NY during the fiscal year period of April 1, 2017, to March 31, 2018, and that amounted to 1,669 new jobs, “of which 1,139 were net new jobs, a 58 percent increase in year-to-year net new job growth.” Businesses in the program reported tax benefits of \$1 million. And employees of those businesses received \$4.8 million in personal income tax benefits in fiscal year 2017.¹¹¹ It is a paltry return on investment when marketing costs associated with STARTUP-NY are considered.

More robust in benefits is the older Excelsior Jobs program also administered by Empire State Development, which is New York’s umbrella agency that consolidates the work of the New York State Urban Development Corp. and the New York State Department of Economic Development.

By comparison to STARTUP-NY, the Excelsior Jobs Program in fiscal year 2018 issued \$36.3 million in tax credits to 96 businesses “out of an awarded \$231.6 million in total credits for

¹⁰⁸ New York Department of Taxation and Finance Guidelines for STARTUP-NY, URL: <https://www.tax.ny.gov/pit/sny/default.htm>.

¹⁰⁹ Madore, 2017.

¹¹⁰ Ibid.

¹¹¹ Empire State Development 2018 Annual Report, URL: <https://esd.ny.gov/sites/default/files/ESD-Annual-Report-2018.pdf>.

these projects,” the state agency said in its annual report. The \$36.3 million “represents an increase of 43 percent over credits issued in FY 2017. The projected number of created and retained jobs resulting from these investments is 44,669.”¹¹²

Like STARTUP-NY, the Excelsior Jobs program has a 10-year period for eligible businesses to claim up to four “fully refundable tax credits,” according to the agency.¹¹³ They are:

- The Excelsior Jobs Tax Credit is 6.85 percent of wages per net new job.
- The Excelsior Investment Tax Credit is 2 percent of qualified investments.
- The Excelsior Research and Development Tax Credit is 50 percent of the Federal Research and Development credit up to 6 percent of research expenditures in New York State.
- The Excelsior Real Property Tax Credit for firms locating in distressed areas and to firms in targeted industries that meet higher employment and investment thresholds (Regionally Significant Project).

For the Excelsior program, the eligible businesses include:

- Scientific research and development firms creating at least five net new jobs.
- Financial services (customer service) and back office operations creating at least 25 net new jobs.
- Agriculture, manufacturing, and music production firms creating at least five net new jobs.
- Distribution firms creating at least 50 net new jobs.
- Entertainment companies creating at least 100 net new jobs.
- Other firms creating at least 150 net new jobs and investing at least \$3 million.
- Firms in strategic industries that make significant capital investment that have at least 25 employees; manufacturing firms who retain at least five employees are also eligible to apply for participation in the program.¹¹⁴

¹¹² Ibid.

¹¹³ Empire State Development guidelines for Excelsior Jobs program, URL: <https://esd.ny.gov/excelsior-jobs-program>.

¹¹⁴ Ibid.

Lessons for New Jersey

The common thread between the case studies above and the UEZ Program is that all include some type of foregoing tax revenue to stimulate economic development in a designated zone. In the case of New Jersey, businesses are given a robust package of diverse incentives, some of which are tied to specific outcomes. For example, all UEZ certified businesses are eligible to charge half of the standard sales tax rate on certain purchases but a one-time tax credit is tied to each job created. New Jersey's local coordinators also had a flexible source of additional economic development dollars (Zone Assistance Funds or ZAFs) that could be used for marketing, grants and loans, and other place specific uses. That, too, made for a more robust, comprehensive program than some of those reviewed in other states. ZAFs gave local zone coordinators not only a greater role in supporting economic development in the zones but also the resources to do so. However, as noted previously in this Assessment, ZAFs have been eliminated, leaving only a limited amount of second-generation funds.

New Jersey's linkage of some zone benefits to outcomes is similar to New York's successful Excelsior program, which ties tax credits to jobs produced and other benchmarks. Less successful is New York's STARTUP program, which has been criticized for spending millions on marketing with only a small return on jobs.¹¹⁵ Likewise, New Jersey should be cognizant of the UEZ Program's cost compared to its benefit. As identified earlier in this Assessment, there is a lack of data needed to truly determine the program's full economic and fiscal impact.

Pennsylvania's program benefits, in contrast to New Jersey's UEZ and New York's Excelsior, are limited to paying for construction debt and related improvements. Pennsylvania's NIZ helped downtown Allentown but did little to help adjacent areas of high poverty and the development was highly subsidized, according to critics.¹¹⁶ Pennsylvania's CRIZ is even more limited in that the program cannot overlap with certain other state tax incentives. The Pennsylvania programs are also restricted to a very few municipalities, only four as of the writing of this Assessment.

In Ohio, the originally urban-focused program was broadened so much that critics maintained it was assisting areas that did not need it. This is a pitfall that New Jersey can avoid by example. Currently, New Jersey's UEZ Program focuses on urban communities with

¹¹⁵ Madore, 2017.

¹¹⁶ Wagaman, May 20, 2019.

historically high unemployment rates. While the State should consider periodic reviews of zones to determine if the challenges still exist or whether the area can “graduate” out of the zone, it is also recommended that the zone criteria remain fairly narrow so help goes to those communities most in need.

Unlike New Jersey, New York and Ohio limit business participation to 10 years. In New Jersey, there appears to be no sunset regarding how long a business can be designated UEZ as long as it is in a UEZ zone and meets the certification requirement. As a result, some businesses have been in the program for more than 30 years. The New Jersey situation raises the question of whether the State should be subsidizing UEZ businesses indefinitely. Pennsylvania does not indicate a limit, but again, the incentive for businesses is much narrower.

All three case studies extend some form of local control and input over the zones. In Pennsylvania, local authorities oversee zone activity although the zones themselves are designated by the state. Zones in Ohio are identified by the local government, administered by a local authority and certified by the state. STARTUP-NY partners with local colleges and universities to identify candidates for the incentive. In New Jersey, the role of the local coordinators has been constrained by the elimination of ZAFs.

International Enterprise Zones

Although Enterprise Zone theory and practice has been in existence for more than three decades, there is still no finite statement on the success of EZs in creating economic stability. Regardless, countries across the globe are interested in examining the strengths of the EZ program and its many iterations and applicability.

In China, the EZ concept is being combined with the concept of Urban Growth Coalitions (UGC). In this model, zone designations strengthen communities across jurisdictional boundaries.¹¹⁷ There is “Super Collaboration” between and among local government entities including state, county, province, and local governments. This approach streamlines government services, promoting multi-city development strategies, i.e., contiguous EZ or regional collaboration and support.¹¹⁸ Collaboration occurs in the use of local resources, i.e., riverside sites, ports etc., and it is noted that state-level support is essential to the success of the Urban Growth Coalition by providing coordination of policy through regulations and incentives.¹¹⁹ The

¹¹⁷ Lou & Shen, 2007.

¹¹⁸ Ibid.

¹¹⁹ Ibid.

UGC encourages large corporations as partners in the interest of advancing global competition. In addition, the UGC establishes a benefit distribution agreement in the very beginning of the coalition formation when establishing common goals.

In an examination of the Urban Enterprise Zone (UEZ) in the Canal area of Brussels as compared to the Zone Franche Urbaine (ZFU) in Lille, France, researchers stressed the importance of examining the social geographies of the targeted area.¹²⁰ Here the focus is on the “foundational economy” as a success measure of the zone. The foundational economy consists of goods and services that are essential to everyday life and accessible to all citizens regardless of income.¹²¹ This includes local industries and businesses that are central to the functioning of the local economy, i.e., ethnic economy and its support services, ethnic goods. The foundational economy makes up 30 percent to 40 percent of the urban economy, can be innovative, and is usually overlooked in policy considerations.¹²² In this examination of the Brussels UEZ, there was also concern with the possibility of cannibalization of jobs from surrounding areas and capitalization of property versus businesses, all leading to a zero sum gain in jobs or any real creation of new jobs.

Success for the Brussels UEZ was associated with the European Fund for Regional Development (EFRD) as an economic development program for 28 member states. The program had five specific goals that are the trademark for success as defined by the EFRD: job creation, innovation, education, social inclusion, and climate change. To succeed, the Brussels UEZ had to fine-tune its local approach by including tools to reinforce local job creation, also, decrease the effects of the capitalization of land by implementing land value control mechanisms, i.e., using zoning to both attract and control land use.¹²³

The examiners concluded that a successful UEZ program should include socioeconomic programs as well as incentives to attract and retain industries and businesses. Investments should be linked to education and training, skilled training and support linked to unemployment and focus on job recruitment of local residents.¹²⁴ Furthermore, an intentional inclusion of the foundational economy in the development of policy and incentives is highly recommended,

¹²⁰ Boeck, Basseni, Ryckewaert, 2017.

¹²¹ Ibid.

¹²² Ibid.

¹²³ Ibid.

¹²⁴ Ibid.

shifting the logic of urban development away from the competitive, territorial city to one that considers and supports the potential of the local population.¹²⁵ This strategy encompasses the needs of the local population by assessing and providing utility provisions, transportation, retail banking, food retailing and processing, healthcare, and education for the innovative economy.

The logic of focusing on the basic needs of the population in connection with creating/designing successful Enterprise Zones is a trending thought in international spaces. Some experts argue that there should be less emphasis on tax incentives as the key factor for business attraction and equal or more emphasis on creating better infrastructure, skills training, and technology transfer.¹²⁶ For example, a study of French based UEZs over a 15-year period that focused on small businesses examined business attraction and retention based on tax incentives.¹²⁷ Business doubled within the first five years compared to levels that would have prevailed without the tax exemption [sic] and there was a significant increase in residents and unskilled employment.¹²⁸ However, after five years, the impact of the program stabilized; once again lack of local skilled workers played a major role in business attraction, job growth, and retention.¹²⁹

¹²⁵ Ibid.

¹²⁶ Zeng, 2015.

¹²⁷ Givord, Quantin, Trevien, 2017.

¹²⁸ Ibid.

¹²⁹ Ibid.

CHAPTER 9:
POLICY COMPARISON: 2011 AND 2019 ASSESSMENT

2019 Assessment – Restructure and strengthen foundation of current UEZ Program/2011 Assessment- Close UEZ Program at end of 2011 and create new place-based community and economic development program:

Both the 2011¹³⁰ UEZ Assessment and the 2019 (current) Assessment clearly denote that New Jersey’s most vulnerable municipalities need assistance from the state in order to move from blighted communities with devalued tax bases and a struggling working class to stable and economically sound places to live, work and play. However, whereas the 2011 study recommended elimination of the previous UEZ Program (*both the tax incentive and the Zone Assistance Funds (ZAFs)*) for a new place-based program, the current Assessment is recommending that the state maintains the program while instituting safeguards to ensure that the original legislative intent is met and to ensure that real success through positive shifts in economic growth can be measured.

Although the current analysis is of a gutted program with only half of the original program features intact, i.e. tax incentive but no ZAFs, some policy recommendations are similar to the 2011 Assessment based on the findings and review of zones. Both study teams agree that absence of program data and a comprehensive tracking system makes it difficult to calculate the real return on state investments. While the 2011 Assessment concludes that lack of such data is cause to eliminate the program, the current study team recognizes instead that this is an opportunity to create a system that efficiently tracks well defined success indicators connected to established criteria.

The 2011 Assessment cites a broken and cumbersome state process as one of the reasons for program inefficiencies. Highlighted were a tedious certification process, multiple disconnected reporting systems, and limited use by eligible businesses. The 2019 Assessment found that the State had in fact improved some of its procedures through movement to an on-line business registration process. However, more must be done to create a more robust and supportive state process. In the current Assessment, recommendations include creating a central data portal for all relevant information that can enable annual assessments of the UEZ Program

¹³⁰ In this chapter the current UEZ Assessment (2019 Assessment) is compared and contrasted to the Delta Development Group, Inc., and HR&A Advisors, Inc. (2011, February 18) *New Jersey Urban Enterprise Zone Program Assessment* (2011 Assessment).

as well as the ability to run reports whenever needed. An ETL process will allow for data extraction from multiple sources (see Chapter 4 of this Assessment for more information).

The 2011 Assessment also calls for reduction in staffing of the state office citing a few examples from other states that create oversight at the county or local level. The current Assessment also reviewed systems in other states and internationally, finding that critical to the success of the UEZ Program is an efficiently managed administrative arm usually consisting of a government entity or government connected entity. Therefore, the current Assessment calls for creating a centralized state system through redefining the role and membership of the UEZ Authority while emboldening the County and local government entities to be supportive and supported.

The 2011 Assessment notes that the UEZ Program showed some evidence of success in meeting the objectives of the legislature but there were still designated zones plagued by high unemployment and blight. Given that in the current assessment, the analysis is of a gutted program, one very different from the program assessed in 2011, a comparison here is at best skewed. A critical component of the program, Zone Assistance Funds, which enabled municipalities to address blight, provide small business loans, address infrastructure to support business retention and attraction and support the attraction of private equity (see Chapter 6 of this Assessment for more information on the benefits of ZAFs) no longer exists. Any losses or gains associated with jobs in the zones must also take into consideration two critical external threats to stability in the zones; the 2008 recession and the effects of Superstorm Sandy on small businesses and zone infrastructure.

The 2011 Assessment also looked at the impact of the retail sales tax reduction on zones, stating that this would define the UEZ Program as more of a Main Street retail development program. The current Assessment of the zone program recognizes that the sales tax directly impacts retail in the zone and by doing so attracts and strengthens all businesses but particularly small businesses. It also allows for the possible scaling of businesses (see Chapter 3 for more information). New Jersey's addition of consumer benefit may be unique, but it is necessary to encourage consumers to shop in communities that suffer from blight and depressed economic activity. As noted previously, once a centralized data system is developed with a robust tracking system, all aspects of the program can be appropriately analyzed in real time to determine true success and any need for course correction.

The 2011 Assessment's call for a new program was partially centered on the lack of a system to efficiently track and assess program success. Like the current Assessment, it too called for a centralized and integrated process. The study cited that decades of data were stored on six different systems with no common storage location. Systems included: SAGE, Baker files, UEZ database, Track, NJCFS and OFIS. Currently, some of these systems have been eliminated. However, there is still no central data repository and still no way to truly capture the impact of the UEZ Program. Information is currently stored on excel spread sheets and in PDF files and the SAGE-based model for data flow suggested by the 2011 research team does not exist. SAGE is no longer utilized by the State for the UEZ Program and there is no substitute system.

2019 – Restructure and strengthen foundation of current UEZ Program /2011- Create new place-based community and economic development program:

As stated previously, both Assessment teams identified systemic flaws in the NJ UEZ Program. Both determined that although there are areas of growth associated with the UEZ, many unknown factors and lack of data make it difficult to conclude that the program is unsuccessful or successful. The 2011 Assessment concluded that a new place-based program should be created in place of the program that they assessed but there was no clear definition of the parameters of such a program. The recommendation in that study calls for a new administrative structure between the Economic Development Authority and Department of Community Affairs with new guidelines for zone designation and a clear metrics to measure program success. The current Assessment calls for strengthening the foundation of the current program with a UEZ Authority that incorporates representatives from critical agencies in order to ensure that all state resources are leveraged for zone success. The UEZ Program should be clearly defined with a look to the original intent of the authorizing legislation to determine what additional indicators must be included in benchmarks to truly measure program success. Both the 2011 and 2019 Assessment call for clear identification of success outcomes and program metrics with quantifiable measures. Both Assessments value routine reviews of the program to determine economic impact and ROI to the state (see sample program metrics in Chapter 4 of this Assessment).

2019 Assessment – Develop a robust metrics and data system that are integrated and provide for annual review and opportunities to run real time reports/2011 Assessment – Increase accountability through robust performance metrics and annual reviews based on established performance standards:

Both Assessments identify a need for a more robust evaluation and monitoring of the UEZ Program. The 2011 Assessment recommends that a new state program incorporate full time economic development professionals experienced in real estate development, commercial revitalization, workforce development, infrastructure and business finance, business marketing, attraction, expansion and retention, community development, industrial rehabilitation and location, international trade and tourism development. The 2019 Assessment also acknowledges that the approach to successful economic development and job growth must be multilayered, incorporating a new Authority with representation from all appropriate agencies so that state economic initiatives can be leveraged. The Assessment also highlights the need to provide a flexible structure which can support both large and small municipal needs, noting that some large cities have created Community Development Corporations providing expertise in all of the above mentioned areas from the 2011 Assessment that drive economic growth. However, smaller municipalities may need support from a regional entity or the UEZ office to maximize growth opportunities.

Both Assessments embrace some process to identify zones that are failing to meet established benchmarks. While the 2011 Assessment calls for the elimination of a failing zone, the 2019 Assessment calls for establishing clear benchmarks with regular reviews and a prescribed plan for improvement or removal from the current program. Both studies also call for a sunset period for both businesses receiving incentives and the zones themselves with the 2019 Assessment recommending flexibility be provided to UEZ coordinators to shift zones based on success and municipal needs per census tracts and mapping guides.

Although the 2011 and 2019 Assessments were conducted at different times with many external factors weighing on the success or failure of the NJ UEZ Program, both studies found that there is merit to the UEZ. There were identified measures of success although not consistent across all indicators and all zones. The program lacked and lacks a strong metrics which could provide benchmarks to measure program success and a central data repository to enable data integration. The 2011 Assessment concluded that the UEZ Program should be eliminated for a new place-based program with elements of program features currently in both DCA and EDA. The 2019 Assessment concluded that the program should remain in DCA with a more deliberately formed UEZ Authority integrating all pertinent agencies (EDA, DCA, Treasury, DOL, and representatives of pertinent economic development, redevelopment, revitalization state programs) for better integration of state resources and initiatives.

CHAPTER 10: PLACE-BASED ECONOMIC ANALYSIS

The economic and fiscal impact analysis presented in Chapter 3 measures the statewide economic impact of the UEZ Program manifested through the measurable increases in sales, household earnings, and employment generated directly by businesses that participate in the UEZ Program, as well as the indirect economic impacts that are generated as this increased economic activity recirculates throughout the New Jersey economy. Another way to measure the impact of the UEZ Program is to take a “place-based” approach and examine the impacts of the program at a local level within each zone.

A place-based approach differs in several ways from the business-based approach presented in Chapter 3. First, a place-based approach focuses on economic changes for all businesses in a UEZ, rather than just changes for businesses that participate in the UEZ Program or workers who work at a UEZ business. For example, the employment analysis in Chapter 3 tracks changes in employment at UEZ participant businesses only. The place-based approach presented here tracks changes in employment at all businesses in each UEZ, regardless of the business’ participation status.

Second, a place-based approach focuses on residents that live in UEZ areas, rather than just those individuals who work at UEZ participant businesses. For example, the earnings analysis in Chapter 3 examines the earnings for those workers who work at participating UEZ businesses, regardless of whether those workers live in a UEZ. In comparison, the median household income analysis in this chapter examines the incomes of all workers who live in a UEZ, regardless of whether those workers work at a UEZ businesses or not. In the former analysis, an individual who lives in Princeton and works at a Trenton UEZ business would be counted in the earnings analysis. In the place-based analysis, that worker would not be counted because the worker does not live in a UEZ. Furthermore, a worker who lives in the Trenton UEZ and works in Princeton would be counted in the place-based analysis, while that worker would not be counted in the Chapter 3 analysis, since Princeton is not part of a UEZ. Taken together, these two approaches offer complementary perspectives on the impact of the UEZ Program.

Approach

As discussed above, this section of the Assessment analyzes place-based economic effects of the UEZ Program over differing time periods by comparing socioeconomic indicators

in UEZs to socioeconomic indicators for a similar set of Census blocks in New Jersey that are not located in UEZs.

Comparison Block Identification and Measures

In order to identify an appropriate list of comparison Census blocks, DCA developed an algorithm that compares several socioeconomic indicators of UEZ area blocks to socioeconomic indicators for all blocks across the state. The algorithm then identifies those non-UEZ Census blocks that appear most like the UEZ blocks in each UEZ area. For a full discussion of the comparison block identification methodology, see “Place-based Economic Analysis” on page 139.

The following sections compare UEZ areas to comparison blocks using the following metrics:

- Total jobs at establishments in each UEZ area;
- Unemployment rate for residents living in each UEZ area;
- Median household income in each UEZ area;
- Median home value in each UEZ area; and
- Property values for properties located in UEZ areas.

Total Employment

The U.S. Census Bureau provides data on employment by Census Block by year. In 2017, UEZs across the state had an estimated 610,907 jobs, as shown in Table 22 below.

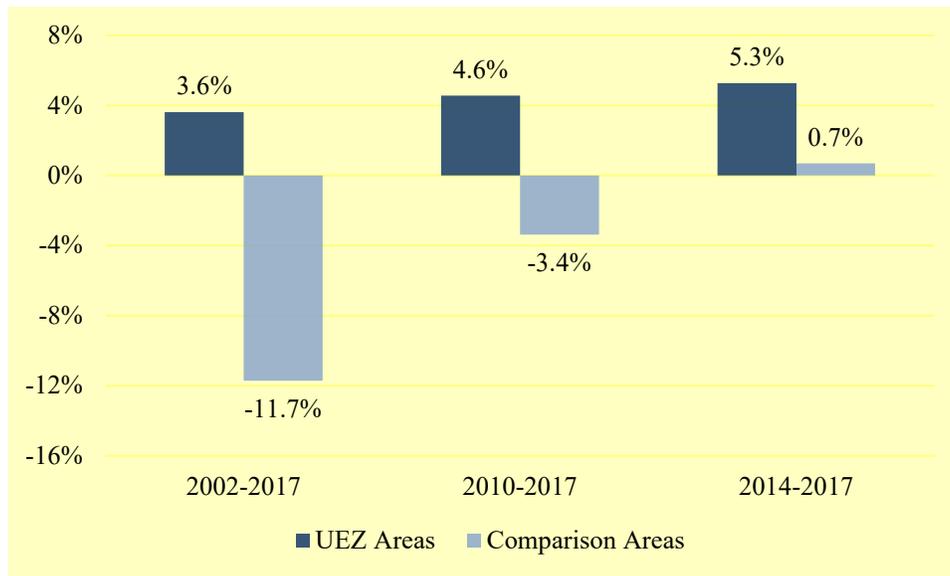
Table 22. Estimated UEZ and comparison area employment by year

Geography	2002	2010	2014	2017
All UEZs	589,555	584,218	580,300	610,907
All Comparison Areas	76,335	69,757	66,931	67,397

Source: Anderson Economic Group analysis of base data from New Jersey Department of Community Affairs, U.S. Census Bureau.

UEZ jobs grew by 3.6% between 2002 and 2017, by 4.6% between 2010 and 2017, and by 5.3% between 2014 and 2017. The growth rate in UEZ area jobs was higher than the growth rate in comparison areas for all three time periods relative to UEZ comparison areas, as shown in Figure 7 on page 117.

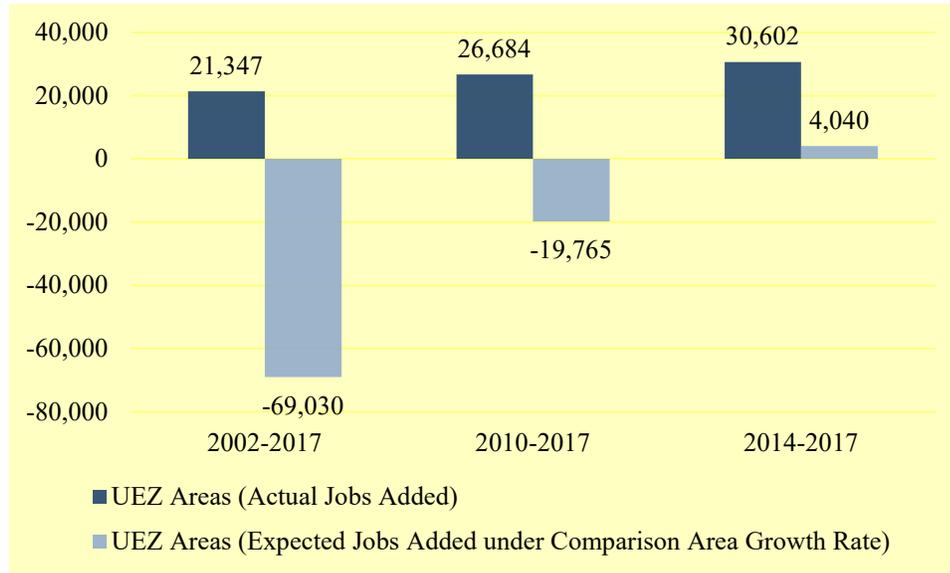
Figure 7. Employment growth in UEZ and comparable areas, select time periods



Source: Anderson Economic Group analysis of base data from the New Jersey Department of Community Affairs, U.S. Census Bureau.

If UEZ areas had experienced the lower employment growth rates that comparison areas saw, there would be measurably fewer jobs in UEZ areas, and perhaps in the state. UEZ areas saw net increases in employment in all three time periods analyzed, while comparison areas saw net declines in employment since 2002 and 2010, followed by a small increase in employment since 2014. If the state's UEZ areas had experienced the slower employment growth rates seen in comparison areas, UEZs would have added, on net, over 90,300 fewer jobs between 2002 and 2017, as shown in Figure 8 on page 118.

Figure 8. UEZ Areas jobs added under actual and comparison area growth rates



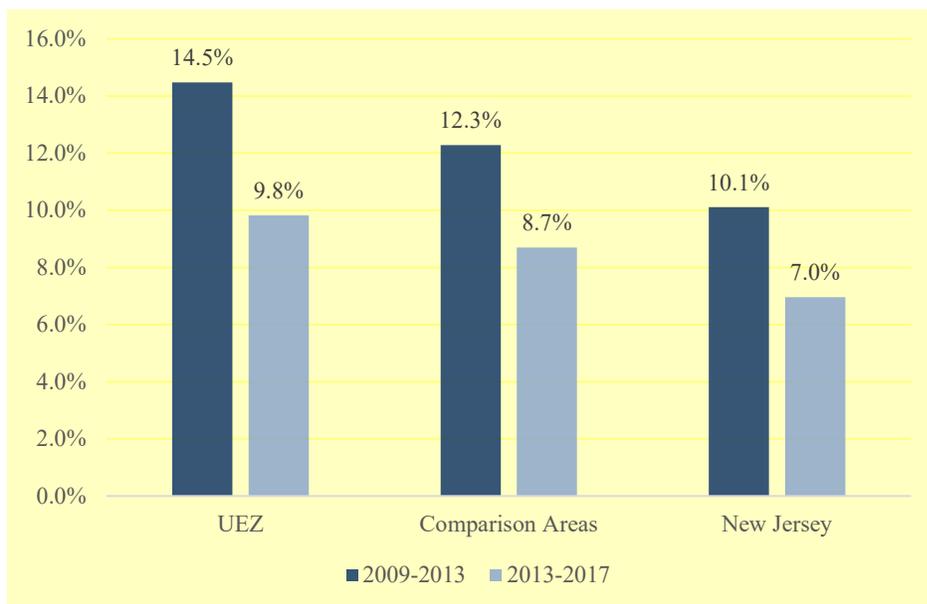
Source: Anderson Economic Group analysis of base data from the New Jersey Department of Community Affairs, U.S. Census Bureau.

On an individual zone level, 12 out of the 37 UEZ areas saw employment growth rates that exceeded comparable areas across all three time periods. See Table 23 on page 125 for a breakdown of total employment changes in UEZ and comparison areas.

Unemployment

In addition to reviewing the total number of jobs added in UEZs and comparison areas, the consultant team compared changes in unemployment rates for individuals living in UEZ and comparison areas using U.S. Census Bureau data on unemployment rates for two time periods, 2009-2013 and 2013-2017. Between 2009 and 2013, the unemployment rate across all UEZ areas was 14.5%, compared to 12.3% in comparison areas. Between 2013 and 2017, UEZ unemployment declined by 4.7 percentage points – faster than the unemployment rate decline of 3.6 percentage points in comparison areas. The decline in unemployment in UEZ and comparison areas also exceeded the statewide decline in unemployment over the same period, as shown in Figure 9 on page 119.

Figure 9. Unemployment rates in UEZs, comparison areas, and New Jersey, 2009-2013 and 2013-2017



Source: Anderson Economic Group analysis of base data from the New Jersey Department of Community Affairs, U.S. Census Bureau.

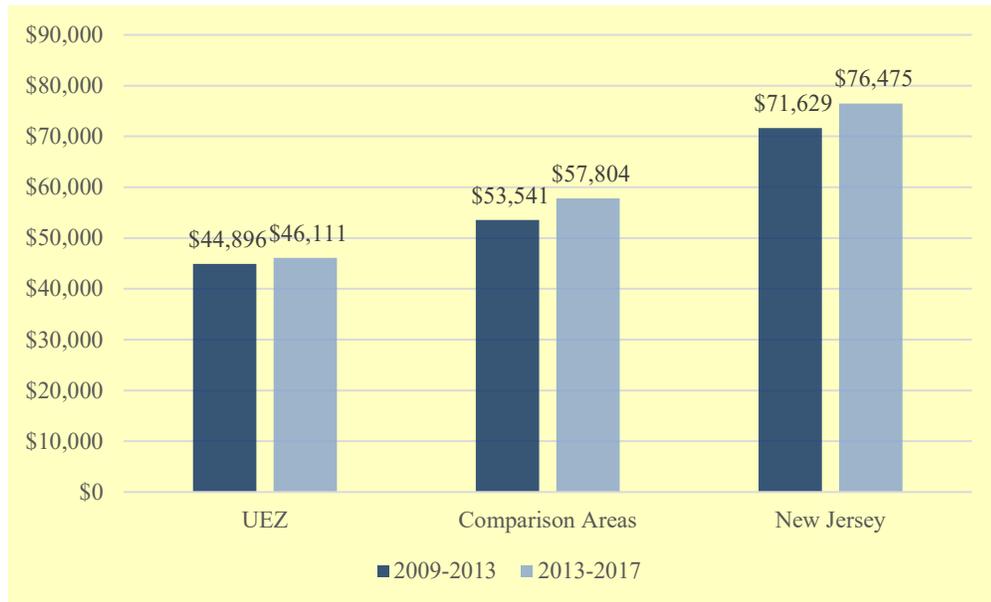
Among individual UEZ areas, unemployment rates declined more rapidly or grew at a slower rate in 18 of 36 zones for which data is available.¹³¹ See Table 23 on page 125 for a full breakdown of unemployment rates in each UEZ and comparison area.

Median Household Income

The median household income among all UEZ households was just over \$44,900 between 2009 and 2013 and grew by 2.7% to \$46,100 during 2013 to 2017. During the same time period, income grew by 8.0% in comparison areas – from \$53,500 to \$57,800. Statewide income grew by 6.8%, increasing from \$71,600 to \$76,500 as shown in Figure 10 on page 120.

¹³¹ No data were available for the Passaic City UEZ.

Figure 10. UEZ, comparison areas, and New Jersey median household income, 2009-2013 and 2013-2017



Source: Anderson Economic Group analysis of base data from the New Jersey Department of Community Affairs, U.S. Census Bureau.

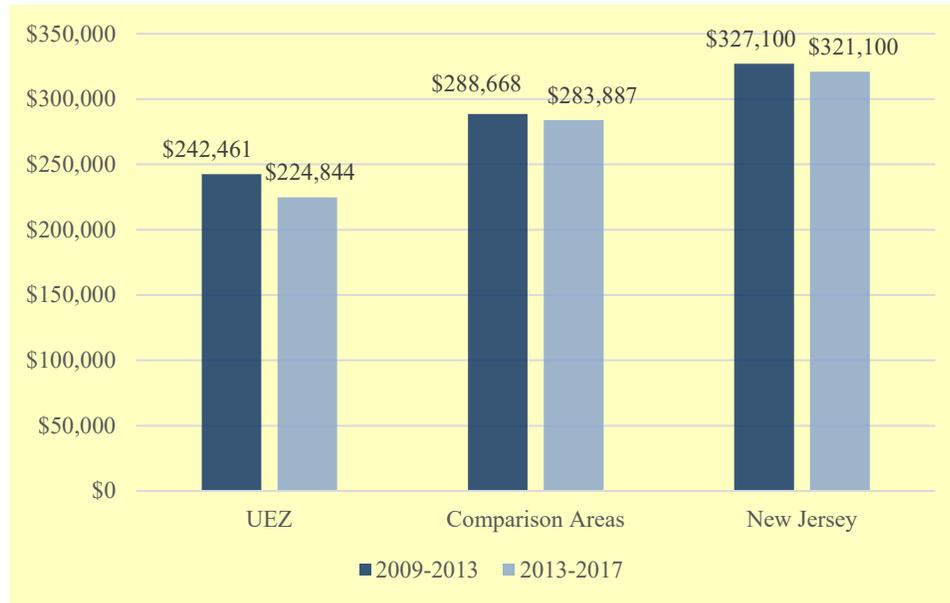
Median household income grew faster in 14 UEZs than their comparison areas, and slower than their comparison area in the remaining 22 zones for which data is available.¹³² See Table 23 on page 125 for a full breakdown of median household income change for each UEZ and comparison area.

¹³² No data were available for the Passaic City UEZ.

Median Home Value

Between 2009 and 2013, the median UEZ home value declined by an average of \$17,600, from \$242,500 to \$224,800 – a decline of 7.3%. During the same time periods, home values also declined slightly in comparison areas (-1.7%) and across New Jersey (-1.8%), as shown in Figure 11 below.

Figure 11. UEZ, comparison areas, and New Jersey median home value, 2009-13 and 2013-17



Source: Anderson Economic Group analysis of base data from the New Jersey Department of Community Affairs, U.S. Census Bureau.

Across all UEZs, home values either grew or decreased at a slower rate relative to comparison areas in 10 of the 36 regions for which data is available.¹³³ See Table 23 on page 125 for a full breakdown of median home value changes for UEZs and comparison areas.

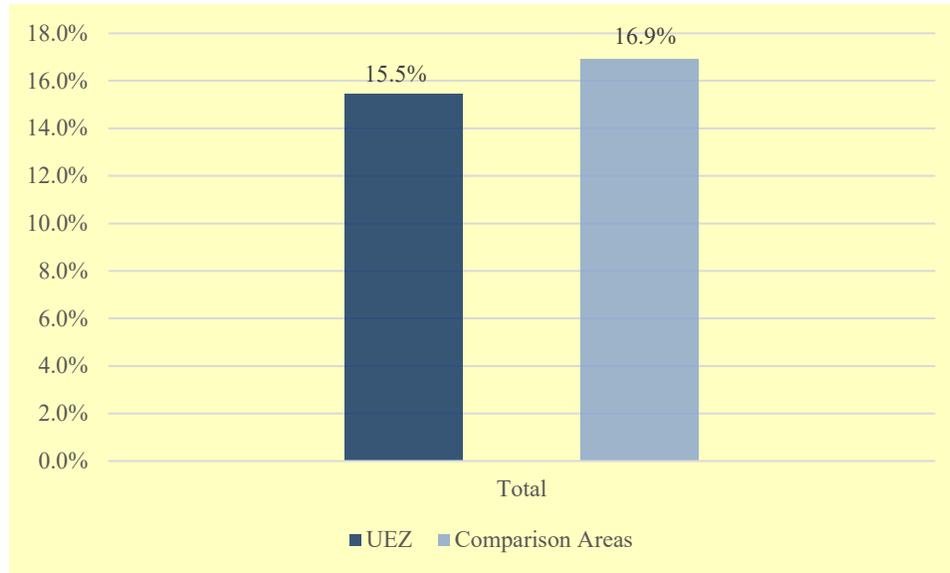
Property Value Changes

The State of New Jersey assesses the value of properties across the state for tax purposes. The state classifies properties by their primary use type, including apartment, commercial, farm, industrial, residential, vacant, and public/nontaxable uses. The consultant team reviewed changes in equalized assessed values (EAVs) of all taxable nonfarm properties across all UEZs relative to comparison zones identified by DCA.

¹³³ No data were available for the Passaic City UEZ.

Between 2012 and 2017, the total EAV of taxable nonfarm properties across all UEZs grew from \$42.5 billion to \$49.0 billion – an increase of 15.4%. During the same time period, property values in comparison areas grew from \$15.5 billion to \$18.1 billion – an increase of 16.9%, as shown in Figure 12 below.

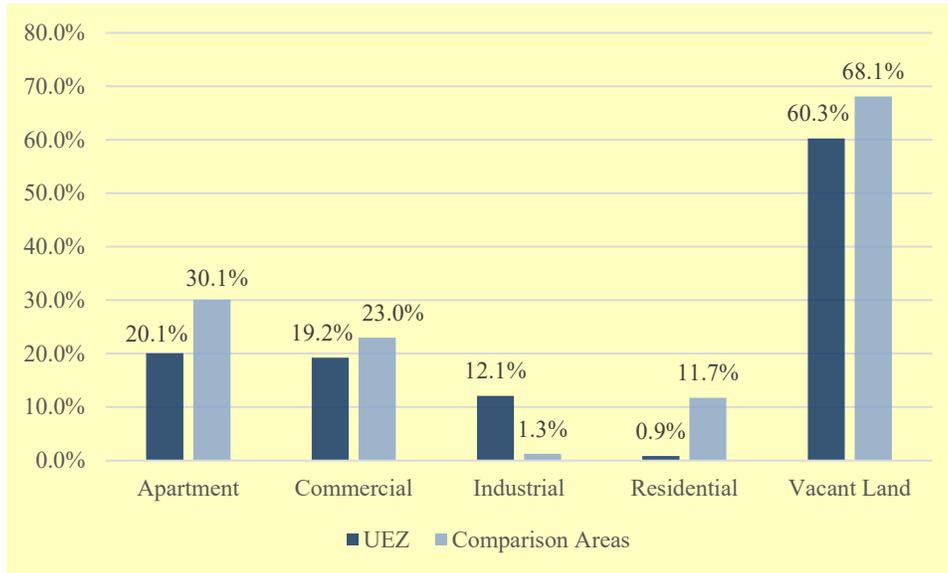
Figure 12. UEZ and comparison area nonfarm taxable property Equalized Assessed Value growth, 2012-2017



Source: Anderson Economic Group analysis of base data from the New Jersey Department of Community Affairs, New Jersey Department of the Treasury.

Although overall property value growth in UEZs lagged growth in comparison areas, industrial property value growth in UEZs far outpaced industrial property value growth in comparison areas. The higher industrial property value growth in UEZs could be indicative of the UEZ Program making UEZ areas more desirable for manufacturers and other industrial businesses. Changes in property value by property class are shown in Figure 13 on page 123.

Figure 13. UEZ and comparison area Equalized Assessed Value growth by property type, 2012-2017



Source: Anderson Economic Group analysis of base data from the New Jersey Department of Community Affairs, New Jersey Department of Treasury.

Place-based Impact Summary

Table 23 on page 125 shows the performance of individual UEZs relative to comparison areas in terms of job growth, unemployment change, household income, and home value growth. Areas where UEZs outperformed comparison areas are shown in green, while areas where UEZs underperformed relative to comparison areas are shown in blue. For example, the Asbury Park UEZ saw a 45.9% increase in jobs between 2010 and 2017, while Asbury Park’s comparison areas saw a 7.5% increase in employment over the same time period, indicating that the Asbury Park UEZ added 38.4 percentage points more jobs than comparison areas. Although the Asbury Park UEZ added more jobs than its comparison area, Asbury Park saw a smaller decrease in unemployment, which declined by 5.2 percent versus a 7.5 percent decline in comparison areas. Median household income also grew more slowly in Asbury Park than its comparison areas, although UEZ homes did experience faster home value growth.

The data show that, over the respective time periods:

- Two-thirds of UEZs added jobs at a faster pace than their comparison areas.
- Roughly half of all UEZs saw larger declines (or smaller increases) in unemployment, while less than half of UEZs saw more robust household income growth.
- Less than one-third saw more robust home value growth.
- Only two UEZs – Long Branch and Pleasantville saw across-the-board performance that exceeded that of comparison areas.

Table 23. UEZ place-based analysis metric performance relative to comparison areas

UEZ Name	County	Job Growth (2010-17)	Unemployment Rate Change (lower = better)	Median Household Income Growth (2009-13 to 2013-17)	Median Home Value Growth (2009-13 to 2013-17)
Asbury Park	Monmouth	38.4%	2.3%	-7.8%	7.3%
Bayonne	Hudson	2.0%	1.0%	-10.8%	-7.1%
Bridgeton	Cumberland	67.2%	-6.3%	5.9%	-15.4%
Camden	Camden	22.2%	-7.8%	-15.4%	-6.5%
Carteret	Middlesex	51.6%	-5.4%	-22.8%	24.3%
City of Orange	Essex	-58.9%	-0.5%	-21.3%	-39.1%
East Orange	Essex	-17.0%	0.0%	-7.0%	-9.8%
Elizabeth	Union	71.4%	0.0%	-7.1%	-11.3%
Gloucester City	Camden	138.9%	-2.8%	-4.4%	-15.6%
Guttenberg	Hudson	-137.7%	5.4%	-12.6%	-31.9%
Hillside	Union	9.3%	0.7%	4.6%	-7.3%
Irvington	Essex	8.3%	-1.0%	-10.4%	-18.4%
Jersey City	Hudson	-49.3%	1.9%	1.1%	9.6%
Kearny	Hudson	8.7%	-2.3%	5.3%	-2.8%
Lakewood	Ocean	22.4%	2.5%	7.4%	7.9%
Long Branch	Monmouth	7.0%	-0.3%	3.8%	7.9%
Millville	Cumberland	45.5%	0.3%	-5.9%	-15.6%
Mount Holly	Burlington	0.2%	3.3%	-25.8%	1.4%
New Brunswick	Middlesex	-5.5%	-1.4%	-21.5%	-1.7%
Newark	Essex	2.1%	0.7%	-6.7%	-24.4%
North Bergen	Hudson	-27.8%	-1.0%	0.6%	-0.4%
North Wildwood	Cape May	6.6%	0.6%	-7.1%	-8.5%
Passaic	Passaic	-15.2%	N/A	7.7%	N/A
Paterson	Passaic	17.9%	-1.7%	3.2%	-8.6%
Pemberton	Burlington	17.5%	4.2%	-14.5%	-14.6%
Perth Amboy	Middlesex	30.6%	-0.1%	6.2%	-4.7%
Phillipsburg	Warren	33.2%	1.2%	11.1%	-38.6%
Plainfield	Union	-124.9%	-15.4%	41.3%	4.8%
Pleasantville	Atlantic	26.4%	-2.0%	4.5%	0.7%
Roselle	Union	-11.6%	5.6%	-26.1%	-7.0%
Trenton	Mercer	-54.6%	-0.7%	-14.8%	-18.0%
Union City	Hudson	26.1%	0.3%	7.2%	-10.9%
Vineland	Cumberland	-0.4%	-2.9%	-10.8%	-7.1%
West New York	Hudson	66.8%	1.1%	9.5%	-1.4%
West Wildwood	Cape May	-153.7%	-24.4%	-64.9%	28.2%
Wildwood	Cape May	22.3%	-1.9%	-8.7%	0.4%
Wildwood Crest	Cape May	45.9%	8.0%	-13.6%	-11.1%
Number of Zones Outperforming Comparison Areas:		25	18	15	10

The fact that more zones outperformed their comparison areas in terms of job growth, while fewer zones outperformed comparison areas among other indicators such as unemployment, household income, and home values, may be due to several factors, including:

- **The UEZ Program is a business incentive program, not a household incentive program.** The UEZ Program provides incentives directly to businesses located in each UEZ. Data indicate that UEZ businesses have experienced more robust employment and industrial property value growth than would otherwise be expected if the program did not exist. The program does *not* provide incentives directly to residents who live in each UEZ, and socioeconomic indicators for UEZ residents do not appear to have changed much differently than those for comparison areas. It stands to reason that the incentives UEZ businesses have received have encouraged employment and industrial property value growth, but this increased growth has not necessarily benefited UEZ residents.
- **UEZ Program incentives are not tied to hiring individuals who live in the UEZ.** UEZ businesses are not required to hire or retain workers who live in a UEZ in order to realize most significant benefits of the program. Businesses that participate in the program may be more likely to hire residents that live outside of zones than inside the zones. The fact that total employment in UEZs grew more quickly than in comparison areas but saw slower employment rate decreases suggests that this is the case.
- **The program provides several incentives for industrial users, which could negatively impact residential property values.** Figure 13 on page 123 shows that industrial property value growth in UEZ significantly exceeded industrial property value growth in comparison areas. At the same time, apartment and residential property values in UEZs grew at a slower rate than comparison areas. The UEZ Program provides several incentives to industrial users, including tax exemptions on the purchase of capital equipment, tax exemptions on infrastructure investment, and sales tax exemptions for manufacturers that purchase electricity and natural gas. The presence of growing industrial users in these zones may have a negative impact on home values since most people prefer to live further away from industrial facilities that emit pollution or cause noise and traffic.

Place-based Assessment Limitations

There are several limitations to the place-based analysis that should be considered when interpreting results.

- The place-based analysis compares the performance of UEZ areas against a similar set of comparison Census blocks identified using a computer algorithm. It is possible that the characteristics of these comparison Census blocks may be materially different than their respective UEZ areas that are not evident in available data.
- This analysis examines the place-based impact of the UEZ Program over various timeframes from 2010 onward. The UEZ Program has existed for more than 30 years. The socioeconomic trends identified in the time span of this analysis are limited to the time period discussed and should not be extrapolated to prior years.

CHAPTER 11: RECOMMENDATIONS

The top recommendations for New Jersey's Urban Enterprise Zone Program based on the qualitative and quantitative analysis are to establish laws that mandate UEZ designation criteria which aligns with the original legislative intent of UEZs – to create jobs and increase employment, and reinstitute some version of Zone Assistance Funds in order to provide a flexible economic development funding source to participating municipalities. Moreover, there is a critical need for the state to develop a better data tracking system to determine net impacts and discern potential changes to the program; and provide a framework that better links state and federal resources to local municipalities. Overall, the program that dates from the mid-1980s should be streamlined and updated to align with the State's current economic development policies.

In addition, the State should evaluate how long both businesses and municipalities should remain in the UEZ Program. No new zones have been added since 2002, and five zones have been in existence since 1986. Similarly, there are businesses that have been in the program for more than 30 years. The UEZ is meant to strengthen the economy through business attraction and retention leading to new and sustained jobs. Therefore, at some point current businesses should graduate out of program. In keeping with best practices in other states, the recommendation for businesses is to sunset their UEZ participation after 10 years. Businesses currently in the program should be given no longer than 10 additional years.

Municipalities should also be given more flexibility to determine zone boundaries within municipalities so that those boundaries can shift to address new needs. This would address a major complaint by coordinators that the boundary revision process is overly cumbersome. Also, evaluation criteria should be established to determine when municipalities can graduate out of the UEZ Program, and when and where new zones can be created. One recommendation is to use data from the already existing Municipal Revitalization Index, particularly the economic indicators of poverty rate, median household income and unemployment rate, and benchmark to either the state or the home county average.

Recommendations

1. **Statutory amendments to criteria designating UEZ municipalities should clearly conform to the original legislative intent of the program.** At a minimum, UEZ municipal designation language should reflect some type of unemployment criteria like that in N.J. Stat. § 52:27H-61. Later designations, such as N.J. Stat. §52:27H-66.7 only mention population and place. It is important not to dilute the impact of the program – or increase its cost to the state – by making it too widely available or available to communities that do not have appropriate need. In addition, failing to mention conditions that do not align with the legislative intent of the program can give the appearance that the designation was political as opposed to necessary to alleviate municipal distress.
2. **Boundary change procedures should be simplified.** A majority of UEZ coordinators believe that the procedures to alter boundaries are cumbersome to the point that many do not even try, even though current boundaries do not necessarily reflect where the program is needed. The main problem cited was the requirement that parcels be contiguous. Suggestions from coordinators to improve the process include aligning boundaries with municipal zoning or Census tracts. The state should also consider reducing the amount of analysis required by municipalities in boundary revision applications or at least provide technical support to municipalities that do not have the capacity to address this requirement. The state should also work with municipalities as needed to ensure that boundaries follow parcel lines, although that does not appear to be a significant issue at this time.
3. **Zone Assistance Funds (ZAFs) allowed local coordinators to offer a more comprehensive package of incentives to attract businesses.** A revised ZAFs program should clearly outline the permitted uses of the funds, require collection of data such as outcomes in addition to uses so that the program can be evaluated, and be subject to oversight by the State.
4. **Consider a Community Development Block Grant (CDBG) model.** Municipalities with a larger population size would get direct ZAFs for planning and those with a smaller population size and limited human resources would share in a county/regional pool for economic development planning. The approach would allow smaller municipalities to have dedicated staff and resources for planning with real impact. Using this model would

require an assessment of the counties' capacity. Smaller zones should still receive funding for UEZ staffing, local marketing, façade improvements, and infrastructure needs to support businesses in the zone (percentage to be determined).

5. **County/regional and/or State offices should be used to assist smaller municipalities in development and management of revolving loan fund programs. The State should also consider an urban bank or regional loan fund.** Zone coordinators stressed the importance of providing low- or no-interest loans to small businesses in their zones for expansions and/or equipment and façade improvements but found it difficult to manage without the necessary skilled staff and infrastructure. In the case of larger cities, they were able to manage their loan fund programs through adequate staffing, or the development of an Economic Development Corporation with expert staffing, hence increasing the number of successful projects and decreasing the percentage of loan defaults.
6. **Commercial district revitalization is crucial to the economic interests of the State and should be a critical outcome measure for the UEZ Program.** A part of the revitalization plan, along with redevelopment of vacant properties and repurposing of old buildings, should be clean and safe streets. Funding should be dedicated to this effort with specific criteria for municipalities to access these funds which would address the use of UEZ funds for clean teams and policing.
7. **In an effort to create a foundational economy that undergirds the attraction of industry and business, the State should develop a workforce training infrastructure and culture by encouraging partnerships with community colleges, universities, and trade/vocational institutes.** Program coordinators should connect with local workforce development boards along with Department of Labor on-the-job training dollars to ensure that businesses can take advantage of in state programs that support a trained and skilled workforce. Urban Enterprise Zones are part of the larger jobs ecosystem and should be incorporated as such.
8. **The State must place some focus on support of improved infrastructure.** Many UEZ municipalities are plagued with old infrastructure that make development and business attraction limited. To this end the State must also place particular attention on

infrastructure that supports technology transfer in order to position zones to be attractive to global markets and foreign direct investments. This helps to decrease the concern of cannibalism in local markets.

9. **The State should develop a marketing campaign at the state, national and international levels to make businesses aware of the UEZ Program and its various incentives.** The effort should target both increased participation among non-participating zone businesses and attraction of out-of-state and international businesses. The campaign should strive to increase the net number of businesses and jobs in the state rather than pulling businesses into the zones from other sections of New Jersey.
10. **The UEZ Authority, in addition to providing oversight, i.e., ensuring that zones are compliant with state regulations, should act as a “success partner” to ensure that New Jersey wins in the race to keep and attract industries in its most distressed communities.** The State should increase technical assistance to zones, help zones course correct when actions stray from plans, enforce adherence to development plans and provide feedback on plans and project progression. Along those lines, the State should create a robust metric to measure zone performance and to determine success. Outcome measures should take into consideration external stressors on economic stability, i.e., crime stats, housing vacancies, home values, household income, and unemployment rates. Although some of these indicators are inherent in the selection of the zone, it is important to keep them as the backdrop of any discussion of zone success. The State’s Municipal Revitalization Index could be used for this task.
11. **Review data collection systems to ensure analysts have the data they need to effectively measure the economic and fiscal impacts of the UEZ Program.** One of the largest barriers faced in measuring the economic and fiscal impact of the UEZ Program was acquiring adequate data for the analysis. The data request processes required multiple meetings with stakeholders and legal counsel from the Department of Community Affairs, Department of Treasury, Department of Labor, and the Governor’s administration. The data needed to conduct such a study is housed in multiple departments across state agencies. This is not surprising given the variety and extent of incentives offered. However, having a centralized database could improve future

economic and fiscal impact studies of the program by ensuring that analysts or consultants can work directly with state employees that have expert knowledge of the information collected in this centralized database. At a minimum, the State should collect gross receipts, payroll spending, employment, UEZ certification dates, UZ4 and UZ5 exemption, and UEZ and non-UEZ sales tax collections in one centralized location, at an establishment level. This may not be possible given concerns about sharing confidential information. Nevertheless, policymakers should review the barriers to acquiring data to analyze the program and work to alleviate these issues.

12. **Incorporate a regular assessment of tax incentives into the statute.** Tax incentives can be an effective tool in generating new economic activity. However, they can also amount to a significant drain on state and local finances. Regularly assessing the impacts of incentives helps ensure that state and local governments are effectively leveraging economic development dollars. Policymakers should consider amending the UEZ statute to include a regular, mandatory analysis of the program's effectiveness.
13. **Reallocate the certification processes to the Department of Treasury.** The placement of the UEZA certification process under the Department of Community Affairs is a vestige of the program's original placement under DCA when the program was conceived as an economic development program. If the UEZ's tax incentives remain in existence, the State should minimally reallocate the certification apparatus to the Department of Treasury and ensure that there is integration of the program with Treasury.
14. **Update the Administrative Code.** Title 5, Chapter 120 of the New Jersey Administrative Code still contains outdated language regarding program procedures that existed prior to 2011 programmatic changes. The State should update the Administrative Code pertaining to the UEZA and keep it current with any future legislative changes.
15. **The State should continue to improve the online certifications of businesses (simplify registration process) and develop points of intersection and access to local zone coordinators so that they can track and connect with businesses in their zones.** Consider a 21st century economy by including a point of sales system for also tracking online businesses.

16. **Develop systems that create synergies and access to information between the State and the UEZs as well as among municipalities.** UEZ coordinators across the state should meet regularly to share ideas, brainstorm solutions to challenges and share successes. State IT systems should connect with local systems to assess GEO mapping, special assessment of UEZ corridors, business registrations, etc. The State should act as a data repository, linking local municipalities with appropriate data from DCA, EDA, HMFA, NJRA, etc. The municipalities and the State should be able to conduct a data query that would garner useful reports and analysis.
17. **There should be deliberate collaboration with state agencies to support economic stability in UEZ municipalities.** Enabling legislation or regulatory language should include intentional collaboration between Department of Labor, Department of Community Affairs (UEZ), Treasury, and the Economic Development Authority in order to ensure that all tax incentive programs are applied in ways that leverage limited resources and maximized outcomes through regular communications. The UEZ Program is one tool in the toolbox of economic development for the State. The program should be linked to other state and federal programs in order to produce maximum impact in the zone: i.e., opportunity zones, innovation hubs, new market tax credits, Sustainable New Jersey, Complete Streets, etc.
18. **New Jersey should consider Urban Growth Coalitions, similar to the process employed to develop Comprehensive Economic Development Strategy plans for U.S. EDA funding.** This enables a regional focus that emphasizes thinking globally not just domestically. Municipalities would have to shift home-rule thinking to maximize the outcomes of this collaborative process and the State would act in a supportive not controlling capacity.
19. **DCA should provide a tier system for UEZ designated municipalities.** Given the geographical differences between UEZ municipalities (larger cities close to NYC and ports, and smaller municipalities that can include farmland and rural settings), the UEZ Program should establish tiers 1, 2, 3, and 4 that coincide with zone size and characteristics, providing the appropriate metrics and DCA technical support.

20. The State should create incentives through other existing programs and instruments to encourage use of local businesses in large development projects. Given the need to build capacity of businesses in UEZ designated municipalities, when the UEZ Authority approves large development projects, priority should be given to local businesses when purchases are made for services and goods related to the completion of those projects.

APPENDIX A: ECONOMIC ANALYSIS METHODOLOGY

The study measured the net economic impact of the UEZ Program by analyzing employment counts, payroll expenditures, and gross receipts for participating and nonparticipating businesses located in UEZ regions across the state. The New Jersey Department of Labor and Workforce Development provided data on average annual employment and payroll expenditures, and the Department of Treasury provided data on annual gross receipts. The New Jersey Department of Community Affairs provided access to its UEZ database, which included the names and addresses of participating businesses, as well as information on employment and UZ4 and UZ5 tax credits claimed by year. Analysis steps and each dataset are described below.

Data Request and Description

Obtaining data for the analysis was a multi-step process. The analysis first used the Department of Community Affairs' UEZ database to identify businesses that actively participated in the UEZ Program for all years between 2013 and 2018 as well as businesses that moved into zones from out of state and registered with the program. The analysis classified businesses as “participating” in the UEZ Program if the business registered with the UEZ each year between 2013 and 2018. Note that businesses that register with the UEZ may have differing levels of engagement with UEZ incentives. The analysis did not attempt to determine the extent to which each business participated in each program, or the extent to which participating businesses worked to maximize their UEZ benefits.

After identifying participating businesses for the analysis, the list of businesses was sent to the New Jersey Departments of Treasury and Labor. Treasury and Labor then matched the business list with their records on employment, payroll expenditures, gross receipts, and sales taxes collected. The analysis shows information on the number of records requested and the matching rates in Table 24 on page 136.

Table 24. Matching rates for Department of Labor employment and payroll data

Request 1. Data on Businesses that Existed in UEZ and Participated All Year 2013-2018			
Record Provider	Records Requested	Records Provided	Match Rate
Department of Treasury	3,631	3,013	83.0%
Department of Labor	3,631	2,982	82.1%

Request 2. Data on Businesses that Moved Into the UEZ Between 2013-2018			
Record Provider	Records Requested	Records Provided	Match Rate
Department of Treasury	337	320	95.0%
Department of Labor	337	328	97.3%

Source: Anderson Economic Group analysis of base data from New Jersey Department of Treasury, New Jersey Department of Labor and Workforce Development, New Jersey Department of Community Affairs.

After a careful conversation with each department about data anonymity and confidentiality, both departments sent aggregated information at the two-digit NAICS industry level. The Department of Treasury provided information on gross receipts, sales taxes collected, and employment, while the Department of Labor provided data on employment and payroll spending. The analysis uses employment data from the Department of Labor, rather than Treasury, based on a discussion of data reliability with both departments.

For the analysis, the study relies primarily on two datasets. The first included only UEZ participants or nonparticipants that were (a) actively participating in the UEZ Program every year between 2013 and 2018 and (b) located within the boundaries of a UEZ. The second dataset included only those businesses that moved into a zone and became active UEZ participants between 2013 and 2018.

Existing Businesses Economic Impact Methodology

The analysis used the first dataset to estimate the net economic impact of participating businesses between 2013 and 2018, using a difference-in-difference approach. The difference-in-difference approach compares the economic performance of participating and nonparticipating firms, attributing any difference in performance to the UEZ Program. The analysis measured the economic impact of the program over five years. The economic impact measures include: output (sales by businesses), household earnings, and employment.

Prior to conducting the analysis, data was reviewed from Treasury and Labor. After reviewing the data, professional judgment was used to exclude some industries from the analysis because of their relatively low sales, payroll, and employment totals.

For the output analysis, industries were excluded with less than \$3 million in total annual gross receipts. This includes:

- Agriculture, Forestry, Fishing, and Hunting (NAICS 11);
- Transportation and Warehousing (NAICS 48-49);
- Finance and Insurance (NAICS 52);
- Management of Companies and Enterprises (NAICS 55); and
- Miscellaneous (NAICS 99).

For the earnings analysis, industries were excluded with total annual payroll less than \$25 million. This includes:

- Agriculture, Forestry, Fishing, and Hunting (NAICS 11);
- Management of Companies and Enterprises (NAICS 55);
- Educational Services (NAICS 61);
- Arts, Entertainment, and Recreation (NAICS 71); and
- Miscellaneous (NAICS 99).

For the employment analysis, industries were excluded with total annual employment of less than 1,500. This includes:

- Agriculture, Forestry, Fishing, and Hunting (NAICS 11);
- Construction (NAICS 23);
- Management of Companies and Enterprises (NAICS 55);
- Administrative and Support and Waste Management and Remediation Services (NAICS 56);
- Educational Services (NAICS 61); and
- Miscellaneous (NAICS 99).

In addition to excluding the above industries from each component of the analysis, the analysis also excluded the Information industry entirely. This industry was excluded after discovering significant differences in employment estimates between the Treasury and Labor data. Data from the Department of Labor showed a significant decline in industry employment, while Treasury data showed modest employment growth.

After reviewing and excluding select industries, the analysis compared the growth rates of output, employment, and earnings among participating and nonparticipating firms, using gross receipts data as a proximate measure for output, and payroll data as a proximate measure of earnings. The analysis calculated compound annual growth rates for each impact measure from 2013 to 2018 by industry. The analysis found that participating firms experienced faster output,

employment, and earnings growth over that time period than nonparticipating firms. The analysis provides summary results of in the chapter text and shows differences in compound annual growth rates by NAICS industry in Appendix B: Exhibits.

The analysis classified the incremental amount of output, earnings, and employment growth attributed to the UEZ Program as the direct impact of the program from existing businesses. The analysis applied U.S. Bureau of Economic Analysis RIMS II economic impact multipliers to each direct impact to calculate the indirect impact of the program. Indirect impacts occur as spending by participating businesses on inputs and payroll circulates throughout the New Jersey economy. The analysis used final demand multipliers to determine the indirect impact of the program on output, and direct effects multipliers to determine the indirect impact on household earnings and employment. Summaries of employment, earnings, and output impacts can be found in Appendix B: Exhibits.

In order to calculate the direct and indirect output impacts from wholesale and retail trade industries, the analysis first determined industry trade margins, since only a portion of the actual value of wholesale and retail trade transactions occur in New Jersey. The analysis used trade margin data from the U.S. Bureau of Economic Analysis Use Tables to calculate the portion of spending on wholesale trade and retail trade goods that occurs in New Jersey. The analysis estimated an average retail trade margin of 32.8 percent and an average wholesale trade margin of 0.7 percent.

Move-In Businesses Economic Impact Methodology

Each year, some businesses from out of state expand or relocate to an Urban Enterprise Zone. A portion of these businesses would not have expanded or relocated to New Jersey if the UEZ Program did not exist. The move-in business analysis quantifies these impacts by determining the proportion of economic activity from move-in businesses that would not have occurred if the program did not exist.

The Department of Community Affairs' UEZ database indicates which businesses moved into a UEZ each year. This database was used to identify all businesses that moved into a UEZ between 2013 and 2018. The list of firms was submitted to the Departments of Treasury and Labor to obtain output, earnings, and employment information for the analysis. Treasury and Labor then matched the list with their business records. Both departments sent aggregated information at the two-digit NAICS industry level. The Department of Treasury provided

information on gross receipts and employment, while the Department of Labor provided data on employment and payroll spending.

The analysis calculated the annual employment, earnings, and output for these businesses for each year from 2013 to 2018. In the model, not all economic activity caused by move-in businesses is considered net new, since some businesses would have moved into a UEZ even if the program did not exist. Survey data was used to determine what portion of economic activity from move-in firms should be considered net new. The UEZ business survey asked participating businesses “How would your business be impacted if your zone’s certification expired and you were no longer eligible for the UEZ benefits?” Some businesses reported that they would leave New Jersey. The activity of those businesses was counted as net new, since the UEZ Program is keeping those businesses in the state. The analysis shows survey responses on moving out of state if the UEZ Program ended, by industry, in Table 29 on page 146.

For each industry, the analysis applied the estimate of net new, or the percent of businesses that would relocate out of state if the UEZ Program ended, to annual employment, earnings, and output to determine the direct economic impact of move-in businesses. U.S. Bureau of Economic Analysis economic impact multipliers were then applied to the direct impact estimates to determine the indirect impacts of each type of economic activity. Summaries of the employment, earnings, and output impact estimates can be found in Appendix B: Exhibits.

Place-based Economic Analysis Methodology

In addition to analyzing the net economic impact of the UEZ Program, the consultant team also conducted a place-based analysis of UEZ Program. The statewide economic impact analysis presented in Chapter 3 measures the impact of the UEZ Program manifested through statewide increases in sales by businesses, employment, and household earnings resulting from the program. Another way to measure the impact of the UEZ Program is through a “place-based” approach, which examines the impacts of the program on businesses that operate in and residents who live in UEZs. This approach includes reviewing key socioeconomic and property value characteristics of workers, businesses, and properties in UEZs, compared to a similar set of workers, businesses, and properties in areas outside of each UEZ.

Comparison Area Selection

With the assistance of DCA, the consultant team identified a set of Census blocks across New Jersey that had similar characteristics to each of the state’s UEZs, and then compared the performance of each UEZ against the set of Census blocks. To develop a list of comparable Census blocks, DCA collected 2010 block level data on socioeconomic variables that can be used to predict whether a block is part of the UEZ Program. To select variables, DCA began with the statutory criteria for designation of a UEZ, which included location within an Urban Aid municipality and the municipal unemployment rate.

Since UEZ boundaries tend to be drawn on commercial corridors where businesses typically locate, DCA included the commercial and industrial share of the municipal tax base and the number of jobs in the census block to measure this phenomenon. Next, DCA considered a wide array of variables available at the Census block level including variables relating to race, age, household composition, population density. The rental share of occupied housing units, the percentage of the population that is Hispanic, the number of housing units, and the non-seasonal and overall vacancy rates proved powerful and statistically significant predictors and were added to the model. Finally, statistically significant geographic dummy variables (0 and 1) for county location and presence along the shore were added to incorporate unobserved characteristics that are distinct to these areas (i.e. a tourism-driven economy, proximity to NYC, etc.). A logistic regression regressing UEZ participation on these factors closely predicts UEZ participation at 95% confidence with a very higher pseudo R2 of 0.55. Full results of the model are shown in Table 25 below.

Table 25 Logistic regression results for Census Block likelihood of being within UEZ

Municipal Unemployment Rate (2009-13 estimate)	17.98*** -34.71
Urban Aid Municipality in 2010	5.979*** -31.48
Shore Municipality	-0.476*** (-4.30)
Population	0.00148*** -5.2
Number of Jobs in 2002	0.000688*** -6.37
Number of Housing Units	-0.00261*** (-4.21)

Vacancy Rate	2.780*** -14.59
Non-Seasonal Vacancy Rate	-0.960*** (-4.18)
Renter Share of Occupied Housing Units	2.383*** -40.51
% Hispanic	0.857*** -12.65
Commercial & Industrial Share of Tax Base	0.580* -2.46
Atlantic County	1.599*** -13.08
Burlington County	1.839*** -18.41
Camden County	0.672*** -9.2
Cape May County	6.135*** -26.6
Cumberland County	1.733*** -23.3
Hudson County	2.002*** -29.64
Mercer County	0.480*** -6
Middlesex County	1.130*** -13.92
Monmouth County	1.685*** -12.94
Ocean County	1.156*** -9.99
Passaic County	1.726*** -23.41
Union County	1.515*** -20.96
Warren County	3.083*** -24.03
Constant	-12.33*** (-57.14)
N	117,684
Pseudo-R2	0.55

t statistics in parentheses

* p<0.05, ** p<0.01, *** p<0.001"

Source: New Jersey Department of Community Affairs.

After obtaining these results, a statistical technique called propensity score matching (PSM) was used to identify a control group of census blocks most like UEZ census blocks on the characteristics that best predict participation in UEZ. Propensity score matching is a frequently used and time-honored technique to evaluate the effectiveness of Enterprise Zone programs and has been used in evaluations of EZ programs in Indiana (Yadavalli 2017), California (O’Keefe 2004), and Florida (Elvery 2009). Propensity score matching matches sets of treated (blocks in UEZs) and untreated (blocks outside UEZs) subjects based on how similar their propensity scores are to receive the treatment (participate in UEZ). The propensity scores are generated based on the predictions of the logistic regression model presented above. Propensity score matching can be viewed as generating a sort of natural experiment on UEZ participation by identifying one or more paired control blocks for each UEZ census block. This is designed to mimic the most rigorous form of evaluating a treatment (in this case an economic development program), a randomized control trial. By controlling for the characteristics relevant to UEZ participation, the technique identifies an unbiased control group based on similarities to the UEZ blocks on multiple characteristics. The average of differences between UEZ blocks and their control blocks can be interpreted as the effect of the program.

An essential element of a proper PSM analysis is ensuring that the treated and untreated census blocks are balanced on their propensity scores. After examining the propensity score frequencies, a usually high proportion of the untreated blocks had extremely low propensity scores below 0.01. To ensure balance, untreated blocks with extremely low propensity scores were removed from the sample. The effect of this was to remove wealthier, less dense communities that bear little resemblance to UEZ communities from the analysis, facilitating a more “apples-to-apples” comparison in choosing similar blocks. The matches were made on the block level; therefore, they do not identify a whole community as comparable to each UEZ block, but rather identify the closest comparable block to that block based on block characteristics alone. To illustrate how this works, UEZ blocks in Orange received matching non-UEZ blocks in communities like Newark, Jersey City, and Clifton. The effect of the program in Orange would be interpreted as the average differences between the Orange UEZ blocks and their most comparable blocks in other communities. A description of each variable and data source is shown in Table 26 on page 143.

Table 26. Description of comparison Census Blocks analysis variables

Variable	Description	Source
Municipal Unemployment Rate (2009-13)	Number of unemployed divided by labor force	US Census Bureau, 2009-13 American Community Survey 5-Year Estimates
Urban Aid Municipality in 2010	Within municipality on the Urban Aid municipality list in 2010	DCA Urban Aid List, 2010
Shore Municipality	Within municipality that borders the Atlantic Ocean, Sandy Hook, or Raritan Bay	DCA analysis
Population in 2010	Total population	US Census Bureau, 2009-13 American Community Survey 5-Year Estimates
Number of Jobs in 2002	Number of jobs at businesses physically present within census block	US Census Bureau, Longitudinal-Employer Household Dynamics Origin-Destination Employment Statistics, 2002
Number of Housing Units in 2010	Number of housing units in census block	US Census Bureau, 2010 Decennial Census
Vacancy Rate in 2010	Vacant housing units divided by total housing units	US Census Bureau, 2010 Decennial Census
Non-Seasonal Vacancy Rate in 2010	Non-seasonally vacant housing units (excludes seasonal or recreational use and migrant worker housing) divided by total housing units	US Census Bureau, 2010 Decennial Census
Renter Share of Occupied Housing Units in 2010	Renter-occupied housing units divided by total occupied housing units	US Census Bureau, 2010 Decennial Census
% Hispanic in 2010	% of population that is Hispanic or Latino	US Census Bureau, 2010 Decennial Census
Municipal, Commercial, and Industrial Share of Tax Base in 2010	Municipal commercial and industrial share of tax ratables	DCA Property Tax Tables, 2010

Place-based Analysis Metrics and Comparison

The place-based analysis includes the following comparisons:

- **Employment growth.** Total job growth in UEZ areas relative to job growth in comparison areas for the time periods 2002-2017, 2010-17, and 2014-2017.
- **Unemployment rate change.** Total change in unemployment rate in UEZs between 2009-2013 and 2013-2017, relative to comparison areas.
- **Median household income change.** Total change in median household income in UEZs between 2009-2013 and 2013-2017, relative to comparison areas.

- **Median home value change.** Total change in median home value in UEZs between 2009-2013 and 2013-2017, relative to comparison areas.
- **Property value change.** Total change in UEZ property values by property class between tax years 2012 and 2017, relative to comparison areas.

The analytical steps taken by the consultant team for each item are described below.

Employment Growth Analysis

The consultant team reviewed and compared total jobs growth for UEZ and comparison area blocks for 2002-2017, 2010-2017. The data come from the U.S. Census Bureau LEHD Origin-Destination survey.

Unemployment Rate Change Analysis

The consultant team reviewed U.S. Census Bureau American Community Survey 5-year Estimate data on employment by Census Block Group for the years 2009-13 and 2013-17 for UEZ and comparison areas to identify differences in changes in unemployment rates over time.

Median Household Income Change Analysis

The consultant team reviewed U.S. Census Bureau American Community Survey 5-year Estimate data on median household income by Census Block Group for the years 2009-13 and 2013-17 identify differences in home value changes over time among UEZ areas and comparison areas.

Property Value Analysis

In order to analyze the property value impacts of the UEZ Program, the consultant team reviewed changes in equalized assessed values (EAV) of taxable nonfarm properties across all UEZ areas compared to changes in taxable nonfarm property values in all comparison areas between tax years 2012 and 2017. DCA collected the property tax data from the New Jersey Department of Treasury and provided the data to the consultant team.

The data included roughly 106,500 taxable nonfarm UEZ parcels in 2017, and 43,300 comparison area parcels in 2017.¹³⁴ The total value of these properties in the 2012 and 2017 data files for UEZ areas was \$42.4 and \$49.0 billion, respectively. The total value of all comparison

¹³⁴ After reviewing the data, the consultant team excluded a small number of taxable parcels from their analysis that appeared to have received tax abatements and had equalized assessed values of \$0 in 2012 or 2017. Including and excluding these parcels did not have a significant impact on analysis results.

area parcels was \$15.5 billion in 2012 and \$18.1 billion in 2017. The team compared property value growth among property classes and determined that industrial properties in UEZs grew at a faster rate than in comparison areas, while all other taxable nonfarm property types grew in value at a slower rate than in comparison areas. The value of UEZ parcels in 2012 and 2017 are shown in Table 27. The values of comparison parcels over the same period are shown in Table 28.

Table 27. UEZ property values by property class type

Property Class Type	UEZ EAV 2012 (millions)	UEZ EAV 2017 (millions)	Percentage Change
Apartment	\$2,908	\$3,493	20.1%
Commercial	\$18,485	\$22,041	19.2%
Industrial	\$7,424	\$8,324	12.1%
Residential	\$11,239	\$1,335	0.9%
Vacant Land	\$2,372	\$3,802	60.3%
Total Taxable Nonfarm:	\$42,428	\$48,995	15.5%

Source: Anderson Economic Group analysis of base data from New Jersey Department of Treasury, New Jersey Department of Labor and Workforce Development, New Jersey Department of Community Affairs.

Table 28. Comparison Census Tracts property values by property class type

Property Class Type	Comparison EAV 2012 (millions)	Comparison EAV 2017 (millions)	Percentage Change
Apartment	\$2,323	\$3,022	30.1%
Commercial	\$2,823	\$3,472	23.0%
Industrial	\$607	\$614	1.3%
Residential	\$9,504	\$10,619	11.7%
Vacant Land	\$223	\$375	68.1%
Total Taxable Nonfarm:	\$15,480	\$18,102	16.9%

Source: Anderson Economic Group analysis of base data from New Jersey Department of Treasury, New Jersey Department of Labor and Workforce Development, New Jersey Department of Community Affairs.

Table 29. Business responses when asked whether the UEZ Program ending would result in the business leaving New Jersey

Industry	Number of Businesses that Responded 'Relocate business out of New Jersey if UEZ Program ended'	Number of Responses to Question	Percent that Would Relocate Out-of-New Jersey if UEZ Program Ended
Agriculture, Forestry, Fishing and Hunting	0	0	0%
Mining, Quarrying, and Oil and Gas Extraction	1	1	100%
Utilities	0	0	0%
Construction	1	15	7%
Manufacturing	7	88	8%
Wholesale Trade	2	38	5%
Retail Trade	13	152	9%
Transportation and Warehousing	5	44	11%
Information	0	3	0%
Finance and Insurance	3	34	9%
Real Estate and Rental and Leasing	0	4	0%
Professional, Scientific, and Technical Services	3	24	13%
Management of Companies and Enterprises	0	0	0%
Administrative and Support and Waste Management and Remediation Services	0	7	0%
Educational Services	0	7	0%
Health Care and Social Assistance	2	34	6%
Arts, Entertainment, and Recreation	0	7	0%
Accommodation and Food Services	4	63	6%
Other Services	0	33	0%
Public Administration	0	0	0%
Miscellaneous	0	0	0%
Total	41	554	7.4%

Source: Anderson Economic Group analysis using base data from the New Jersey Department of Community Affairs, PEL Analytics.

APPENDIX B:
EXHIBITS

Table 30. Employment compound annual growth rate for participating and Nonparticipating Businesses, by NAICS industry, 2013-2018

Industry	CAGR of UEZ Participant Businesses	CAGR of Nonparticipant Businesses	Difference
Agriculture, Forestry, Fishing and Hunting	N/A	N/A	-
Mining, Quarrying, and Oil and Gas Extraction	N/A	N/A	-
Utilities	4%	1%	3%
Construction	7%	-1%	9%
Manufacturing	3%	0%	3%
Wholesale Trade	10%	8%	2%
Retail Trade	N/A	N/A	-
Transportation and Warehousing	0%	1%	-1%
Information	14%	6%	8%
Finance and Insurance	4%	-3%	8%
Real Estate and Rental and Leasing	N/A	N/A	-
Professional, Scientific, and Technical Services	N/A	N/A	-
Management of Companies and Enterprises	N/A	N/A	-
Administrative and Support and Waste Management and Remediation Services	2%	3%	-1%
Educational Services	9%	8%	1%
Health Care and Social Assistance	2%	3%	-1%
Arts, Entertainment, and Recreation	6%	0%	6%
Accommodation and Food Services	N/A	N/A	-

Source: Anderson Economic Group analysis using base data from New Jersey Department of Labor and Workforce Development, New Jersey Department of Community Affairs.

Table 31. Earnings compound annual growth rate for participating and nonparticipating businesses, by NAICS industry, 2013-2018

Industry	CAGR of UEZ Participant Businesses	CAGR of Nonparticipant Businesses	Difference
Agriculture, Forestry, Fishing and Hunting	N/A	N/A	-
Mining, Quarrying, and Oil and Gas Extraction	10%	5%	5%
Utilities	5%	4%	1%
Construction	10%	0%	11%
Manufacturing	6%	2%	4%
Wholesale Trade	9%	9%	0%
Retail Trade	N/A	N/A	-
Transportation and Warehousing	1%	5%	-4%
Information	22%	8%	14%
Finance and Insurance	6%	-4%	10%
Real Estate and Rental and Leasing	N/A	N/A	-
Professional, Scientific, and Technical Services	5%	3%	2%
Management of Companies and Enterprises	N/A	N/A	-
Administrative and Support and Waste Management and Remediation Services	5%	4%	0%
Educational Services	N/A	N/A	-
Health Care and Social Assistance	5%	7%	-2%
Arts, Entertainment, and Recreation	11%	2%	9%
Accommodation and Food Services	N/A	N/A	-

Source: Anderson Economic Group analysis using base data from New Jersey Department of Labor and Workforce Development, New Jersey Department of Community Affairs.

Table 32. Output compound annual growth rate for participating and nonparticipating businesses, by NAICS industry, 2013-2018

Industry	CAGR of UEZ Participant Businesses	CAGR of Nonparticipant Businesses	Difference
Agriculture, Forestry, Fishing and Hunting	N/A	N/A	-
Mining, Quarrying, and Oil and Gas Extraction	19%	3%	15%
Utilities	5%	-1%	7%
Construction	2%	-1%	3%
Manufacturing	3%	1%	2%
Wholesale Trade	N/A	N/A	-
Retail Trade	N/A	N/A	-
Transportation and Warehousing	N/A	N/A	-
Information	2%	8%	-6%
Finance and Insurance	9%	7%	2%
Real Estate and Rental and Leasing	N/A	N/A	-
Professional, Scientific, and Technical Services	23%	1%	22%
Management of Companies and Enterprises	-8%	-30%	22%
Administrative and Support and Waste Management and Remediation Services	6%	1%	4%
Educational Services	0%	-2%	2%
Health Care and Social Assistance	10%	4%	6%
Arts, Entertainment, and Recreation	3%	1%	3%
Accommodation and Food Services	N/A	N/A	-

Source: Anderson Economic Group analysis using base data from New Jersey Department of Treasury, New Jersey Department of Community Affairs.

Table 33. UEZ Program average annual employment impact by industry, 2013-2018

Industry	Direct Annual Impact	Multiplier	Total Annual Impact
Manufacturing	426	2.68	1,141
Wholesale Trade	347	2.55	886
Retail Trade	760	1.61	1,223
Transportation and Warehousing	82	2.59	212
Finance and Insurance	755	2.94	2,217
Real Estate and Rental and Leasing	97	1.77	172
Professional, Scientific, and Technical Services	167	2.39	400
Health Care and Social Assistance	-79	2.03	(160)
Arts, Entertainment, and Recreation	14	1.51	21
Accommodation and Food Services	-9	1.54	(13)
Other Services	99	1.70	168
Total	2,659		6,266

Source: Anderson Economic Group analysis using base data from the NJ Department of Labor; U.S. Bureau of Economic Analysis RIMS II Multipliers.

Table 34. UEZ Program average annual earnings impact by industry, 2013-2018

Industry	Direct Annual Impact	Multiplier	Total Annual Impact
Construction	\$4,286,156	1.81	\$7,772,516
Manufacturing	\$15,736,703	2.24	\$35,316,109
Wholesale Trade	\$28,961,527	1.95	\$56,399,679
Retail Trade	\$27,809,842	1.83	\$50,919,462
Transportation and Warehousing	\$818,306	2.14	\$1,752,582
Finance and Insurance	\$123,770,599	2.36	\$291,922,698
Real Estate and Rental and Leasing	\$8,133,595	2.36	\$19,156,390
Professional, Scientific, and Technical Services	\$19,273,833	1.84	\$35,475,417
Administrative and Support and Waste Management and Remediation Services	\$590,342	1.79	\$1,063,426
Health Care and Social Assistance	\$1,757,523	1.79	\$3,148,477
Accommodation and Food Services	-\$988,073	1.94	-\$1,919,858
Other Services	\$4,930,421	1.84	\$9,093,669
Total	\$235,080,776		\$510,100,568

Source: Anderson Economic Group analysis using base data from the NJ Department of Labor; U.S. Bureau of Economic Analysis RIMS II Multipliers.

Table 35. UEZ Program average annual output impact by industry, 2013-2018

Industry	Direct Annual Impact	Multiplier	Total Annual Impact
Construction	\$17,455,740	2.07	\$36,079,269
Manufacturing	\$33,932,855	1.92	\$65,158,901
Wholesale Trade	\$280,912	1.94	\$545,054
Retail Trade	\$67,721,311	2.00	\$135,747,369
Real Estate and Rental and Leasing	-\$5,051,488	1.71	-\$8,623,402
Professional, Scientific, and Technical Services	\$646,985	2.18	\$1,409,910
Administrative and Support and Waste Management and Remediation Services	\$2,301,429	2.13	\$4,909,237
Educational Services	\$485,414	2.20	\$1,067,764
Health Care and Social Assistance	\$691,551	2.25	\$1,554,501
Arts, Entertainment, and Recreation	\$371,055	2.13	\$791,789
Accommodation and Food Services	\$1,010,450	2.03	\$2,053,072
Other Services	\$2,642,641	2.18	\$5,770,206
Total	\$122,488,855		\$246,463,670

Source: Anderson Economic Group analysis using base data from the NJ Department of Labor; U.S. Bureau of Economic Analysis RIMS II Multipliers.

APPENDIX C:
BUSINESS SURVEY RESPONSES

Q1: In which municipality is your UEZ-certified business located? Select the appropriate municipality.

<i>Muni</i>	Response Count	Response Percent	<i>Muni</i>	Response Count	Response Percent
Vineland	65	10.8%	Carteret	12	2.0%
Elizabeth	58	9.6%	Wildwood Crest	11	1.8%
Newark	50	8.3%	Hillside	11	1.8%
Lakewood	49	8.1%	Camden	10	1.7%
Jersey City	38	6.3%	Bridgeton	10	1.7%
Paterson	37	6.1%	Pleasantville	9	1.5%
Millville	29	4.8%	Perth Amboy	8	1.3%
Wildwood	20	3.3%	Gloucester City	7	1.2%
Trenton	17	2.8%	East Orange	7	1.2%
Kearny	16	2.7%	Union City	6	1.0%
Mount Holly	15	2.5%	Plainfield	6	1.0%
Passaic	14	2.3%	Orange	5	0.8%
Asbury Park	14	2.3%	Roselle	4	0.7%
Phillipsburg	13	2.2%	North Wildwood	4	0.7%
New Brunswick	13	2.2%	Irvington	3	0.5%
Long Branch	13	2.2%	West New York	2	0.3%
Bayonne	13	2.2%	Pemberton Township	2	0.3%
North Bergen	12	2.0%	Grand Total	603	100.0%
			Skipped Question	27	

More than half (54.1 percent) of responses came from businesses in the Vineland, Elizabeth, Newark, Lakewood, Jersey City, and Paterson. No responses were received from Guttenberg or West Wildwood, which had 16 and one active businesses, respectively, as of June 30, 2019.

Q2: What is the classification of your business?

<i>Options</i>	Response Count	Response Percent
Retail	151	24.5%
Manufacturing	94	15.2%
Restaurant	46	7.5%
Health Care and Social Assistance	37	6.0%
Wholesale	35	5.7%
Finance/Insurance/Real Estate	35	5.7%
Distribution	32	5.2%
Professional, Scientific, and Technical Services	21	3.4%
Auto Sales/Repair	18	2.9%
Construction	15	2.4%
Transportation/Utilities	8	1.3%
Personal Service (beauty, spa, nails, etc.)	8	1.3%
Institution/School	4	0.6%
Gas	2	0.3%
Other	111	18.0%
Grand Total	617	100.0%
Skipped Question	13	

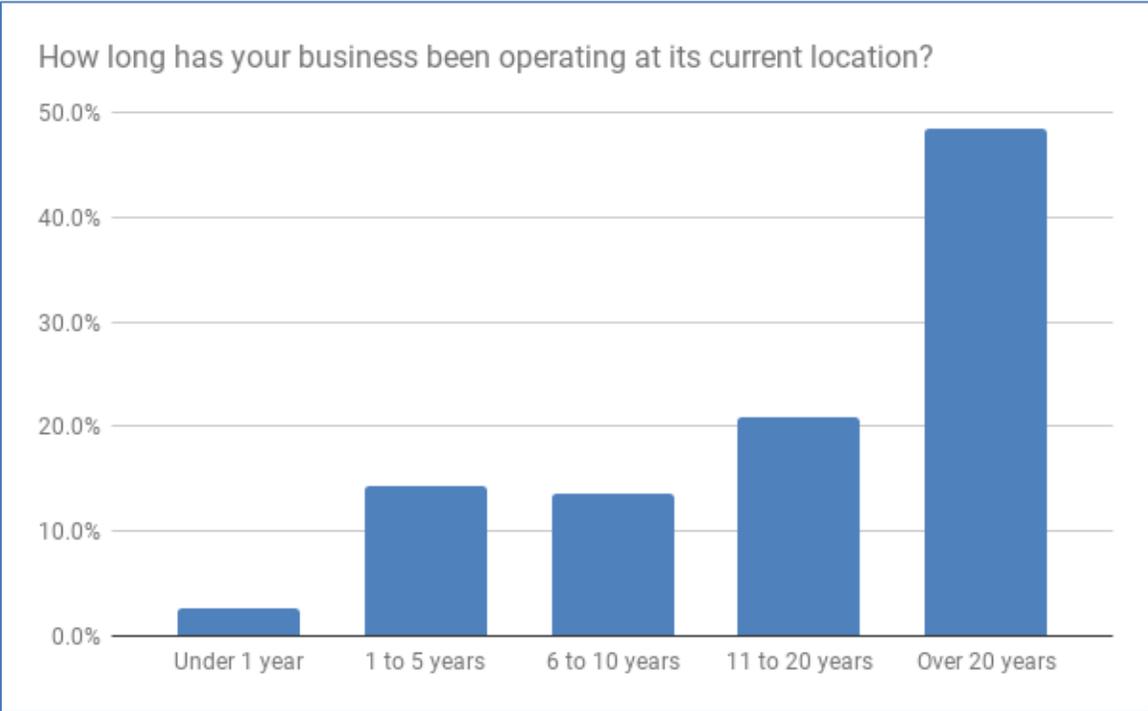
Retail establishments were the most common business classification type (24.5 percent) among respondents. Nearly 2 out of every 5 responses to this question were in the “Other” category that provided respondents the ability to type in their business classification manually. These responses were reviewed and coded to the best matching NAICS code. Most common among these were “Accommodation and Food Services” establishments such as hotels, motels, cafes, and restaurants.

<i>Categories</i>	Response Count
Accommodation and Food Services	19
Retail Trade	15
Other Services (except Public Administration)	13
Administrative and Support and Waste Management and Remediation Services	10
Arts Entertainment and Recreation	8
Wholesale Trade	7
Transportation and Warehousing	7
Professional Scientific and Technical Services	6
Manufacturing	6
Real Estate Rental and Leasing	4
Finance and Insurance	4
Construction	4
Educational Services	3
Unclear response	2
Mining	1
Information	1
Health Care and Social Assistance	1
Grand Total	111

Q3: How long has your business been operating at its current location?

<i>Options</i>	Response Count	Response Percent
Under 1 year	17	2.7%
1 to 5 years	90	14.4%
6 to 10 years	85	13.6%
11 to 20 years	131	20.9%
Over 20 years	303	48.4%
Grand Total	626	100.0%
Skipped Question	4	

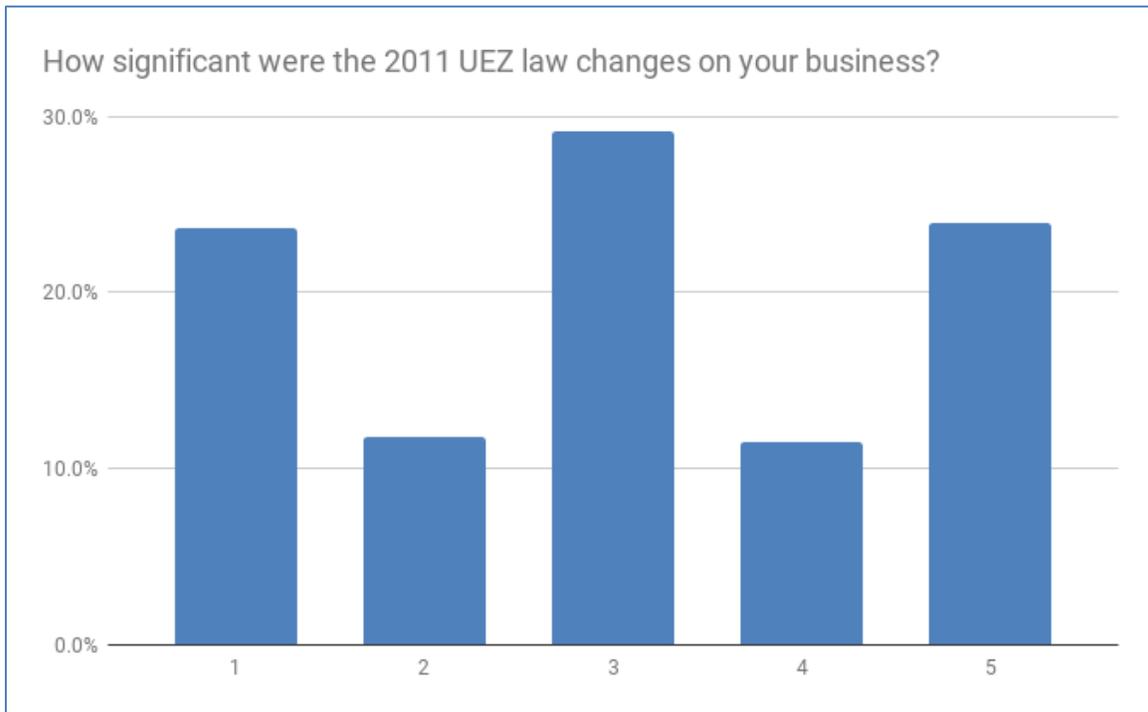
Almost half of responding businesses have operated at their current location for more than 20 years, while an additional 20 percent have been in operation for between 11 and 20 years at their current location.



Q4: How significant were the 2011 UEZ law changes on your business (such as elimination of Zone Assistance Funds, lower State and City UEZ staff, and UEZ-funded City-based economic development programs)? “1” represented “Little to No Significance” and “5” represented “Very Significant.”

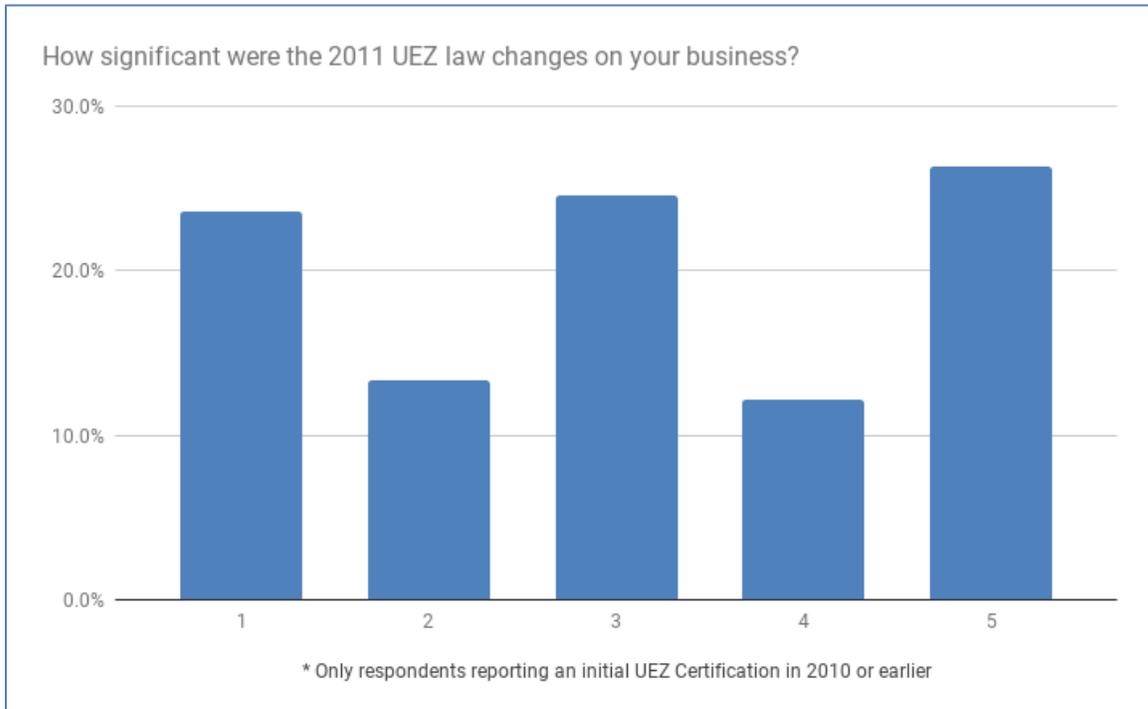
<i>Options</i>	Response Count	Response Percent
1	146	23.6%
2	73	11.8%
3	180	29.1%
4	71	11.5%
5	148	23.9%
Grand Total	618	100.0%
Skipped Question	12	

Businesses were mixed in response to the impact that the 2011 UEZ law changes had on their business. A near identical number of respondents replied with “1” and “5”, while a plurality responded in the middle of the range. The weighted average response score was 3.003.



The following table presents the responses to the same question as the previous page but filters responses to include only those respondents who reported their first year of UEZ certification in 2010 or earlier (see Question 7 below). The distribution of responses is notably similar, with a weighted average of 3.041 only marginally higher than the entire response pool.

Options	Response Count	Response Percent
1	80	23.7%
2	45	13.3%
3	83	24.6%
4	41	12.1%
5	89	26.3%
Grand Total	338	100.0%



Q5: How was your business impacted by the 2011 UEZ law changes? (Select up to five) Nearly 50 percent of responses to Question Five were “Don’t know” (including 10 responses that included this and other answers). More than one-in-five respondents noted that the 2011 UEZ law changes impacted future growth while increasing operating costs and decreasing profits.

<i>Options</i>	Response Count	Percent of Responses
Don't know	284	49.9%
Impacts to future growth, expansion, capital improvements, and equipment purchases	152	26.7%
Increased operating costs, decreased profits	138	24.3%
Reduced competitive advantage	111	19.5%
Reduce capital expenditures and business purchases	109	19.2%
Decrease in sales due to loss of reduced sales tax rate	59	10.4%
Increased competition with malls, big box stores, neighboring states, Internet	59	10.4%
Quality of life impacts: crime, safety, cleanliness, streetscapes	44	7.7%
Job losses	25	4.4%
Business closure	5	0.9%
Relocate business out of New Jersey	3	0.5%
Skipped Question	61	---

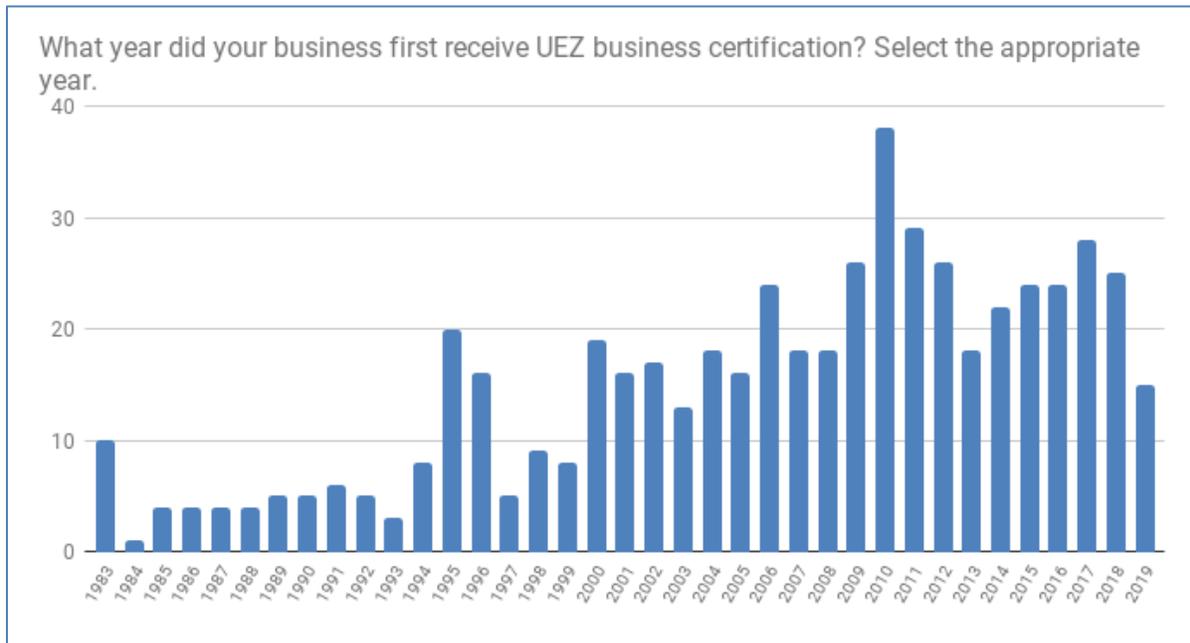
Q6: Describe how your business was impacted by the 2011 UEZ law changes. (Free text response)

<i>Categories</i>	Response Count
Not UEZ certified or operating pre-2011	107
Minimal or no impact	55
N/A, not sure, or unclear response	34
Increased operating costs, decreased profits	19
Decrease in sales due to loss of reduced sales tax rate	17
Impacts to future growth, expansion, capital improvements, and equipment purchases	15
Reduced capital expenditures and business purchases	11
Reduced competitive advantage	10
Loss of beautification projects in commercial area	8
Job losses	6
Positive impact generally	4
Point-of-purchase sales tax exemption has helped business	4
Loss of grants/loans opportunities	4
Diminished public safety and increased crime	4
Reduced workforce development	3
Reduced interaction with local coordinator or DCA	3
Reduced growth in commercial area	2
Reduced customer base	1
Reduced capital investment	1
Reduced growth and business expansion	1
Uncertainty in business planning	1
Less time spent submitting paperwork (e.g., certification)	1
Job losses, increased operating costs, decreased profits	1
Increased competition with malls, big box stores, neighboring states, internet	1
Skipped Question	345

Question 6 provided respondents the ability to expand upon Question 5 with a free form text response. A sizable proportion of responses to the free-text question were from businesses not operating or UEZ certified before the 2011 changes, expressed minimal impact or were not sure.

Q7: What year did your business first receive UEZ business certification? Select the appropriate year.

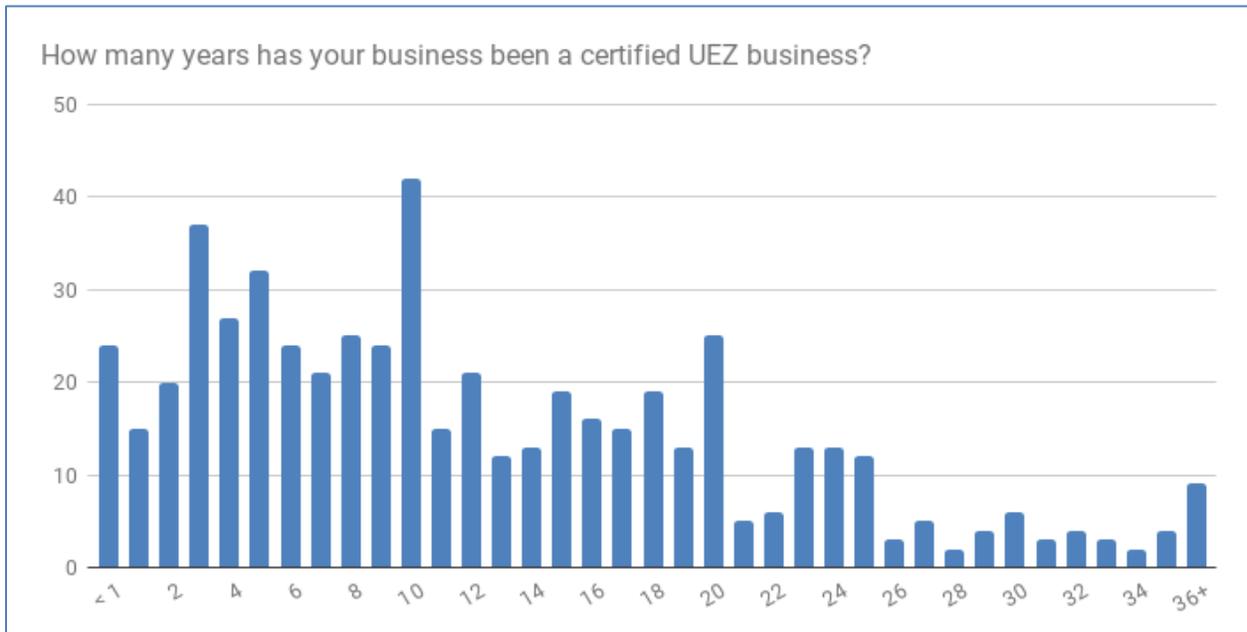
Year	Response Count	Response Percent	Year	Response Count	Response Percent
---	---	---	2002	17	3.1%
1983	10	1.8%	2003	13	2.4%
1984	1	0.2%	2004	18	3.3%
1985	4	0.7%	2005	16	2.9%
1986	4	0.7%	2006	24	4.4%
1987	4	0.7%	2007	18	3.3%
1988	4	0.7%	2008	18	3.3%
1989	5	0.9%	2009	26	4.7%
1990	5	0.9%	2010	38	6.9%
1991	6	1.1%	2011	29	5.3%
1992	5	0.9%	2012	26	4.7%
1993	3	0.5%	2013	18	3.3%
1994	8	1.4%	2014	22	4.0%
1995	20	3.6%	2015	24	4.4%
1996	16	2.9%	2016	24	4.4%
1997	5	0.9%	2017	28	5.1%
1998	9	1.6%	2018	25	4.6%
1999	8	1.4%	2019	15	2.7%
2000	19	3.4%	Grand Total	551	100.0%
2001	16	2.9%	Skipped Question	79	



Q8: How many years has your business been a certified UEZ business?

<i>Number of Years</i>	Response Count	Response Percent	<i>Number of Years</i>	Response Count	Response Percent
---	---	---	19	13	2.4%
Less than a year	24	4.3%	20	25	4.5%
1	15	2.7%	21	5	0.9%
2	20	3.6%	22	6	1.1%
3	37	6.7%	23	13	2.4%
4	27	4.9%	24	13	2.4%
5	32	5.8%	25	12	2.2%
6	24	4.3%	26	3	0.5%
7	21	3.8%	27	5	0.9%
8	25	4.5%	28	2	0.4%
9	24	4.3%	29	4	0.7%
10	42	7.6%	30	6	1.1%
11	15	2.7%	31	3	0.5%
12	21	3.8%	32	4	0.7%
13	12	2.2%	33	3	0.5%
14	13	2.4%	34	2	0.4%
15	19	3.4%	35	4	0.7%
16	16	2.9%	36+	9	1.6%
17	15	2.7%	Grand Total	553	100.0%
18	19	3.4%	Skipped Question	77	

Due to the fact that UEZ certification can lapse, business respondents were also asked how many years the business has been UEZ Certified.



Q9: Has your firm ever allowed the certificate to lapse? If so, why? (Multiple selections permitted)

<i>Options</i>	Response Count	Percent of Responses
I have never let the certification lapse	542	89.6%
My business no longer qualified	19	3.1%
Too much paperwork	15	2.5%
UEZ benefits were not significant enough	8	1.3%
I closed or sold my business	1	0.2%
Other	30	7.0%
Skipped Question	25	---

Nearly 90 percent of businesses responded that they have never let their certificate lapse. Thirty respondents answered with a text response in the “Other” selection. Among those, the most frequent response represented an error in the re-certification process. These ranged from reported issues with the re-certification process itself and the online system (e.g. difficulty creating an account) to staff turnover causing the business to forget to recertify. Several businesses had not yet reached their first re-certification (i.e. have been a UEZ business for less than three years) and several noted the expiration of their UEZ zone at the end of 2016.

<i>Categories</i>	Response Count
Re-Certification errors	12
Have not yet reached first Re-Certification	6
UEZ Zone expired	4
Unsure	3
Change in business	3
No longer met UEZ criteria	2
Grand Total	30

Q10: How many individuals does your firm currently employ in the UEZ?

<i>Options</i>	Response Count	Response Percent
1 to 4	135	21.6%
5 to 9	133	21.3%
10 to 19	124	19.8%
20 to 49	111	17.8%
50 to 99	65	10.4%
100 to 249	37	5.9%
250 to 499	11	1.8%
500 to 999	7	1.1%
1,000 or more	2	0.3%
Grand Total	625	100.0%
Skipped Question	5	

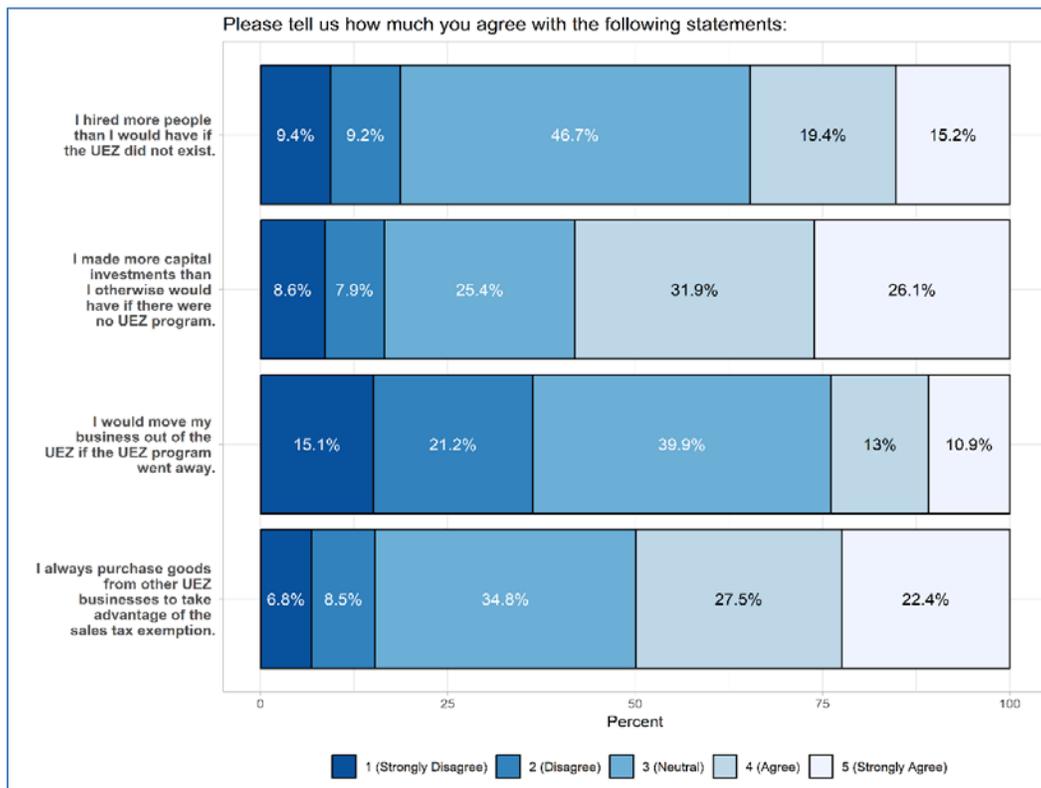
A plurality of businesses (21.6 percent) responding to the survey employ 1 to 4 employees. Four-fifths of responding businesses employ less than 50 employees.



Q11: Please tell us how much you agree with the following statements:

Question	1 (Strongly Disagree)	2 (Disagree)	3 (Neutral)	4 (Agree)	5 (Strongly Agree)	Weighted Average	Responses
I hired more people than I would have if the UEZ did not exist.	58	57	288	120	94	3.22	617
I made more capital investments than I otherwise would have if there were no UEZ Program.	53	49	157	197	161	3.59	617
I would move my business out of the UEZ if the UEZ Program went away.	93	131	246	80	67	2.83	617
I always purchase goods from other UEZ businesses to take advantage of the sales tax exemption.	42	52	214	169	138	3.50	615

Based on weighted average scores, businesses most agreed with the statement that they made more capital investments than they otherwise would have without the UEZ Program, followed closely by the statement that respondents purchase goods from other UEZ businesses to take advantage of the sales tax exemption. Only 34.6 percent of respondents agreed or strongly agreed that they hired more people than they would have without the UEZ Program. The prospect of moving the business out of the UEZ if the program went away scored the lowest weighted average (2.83) with 36.3 percent disagreeing or strongly disagreeing.



Q12: Does your business participate in any of the following programs? Check all that apply.

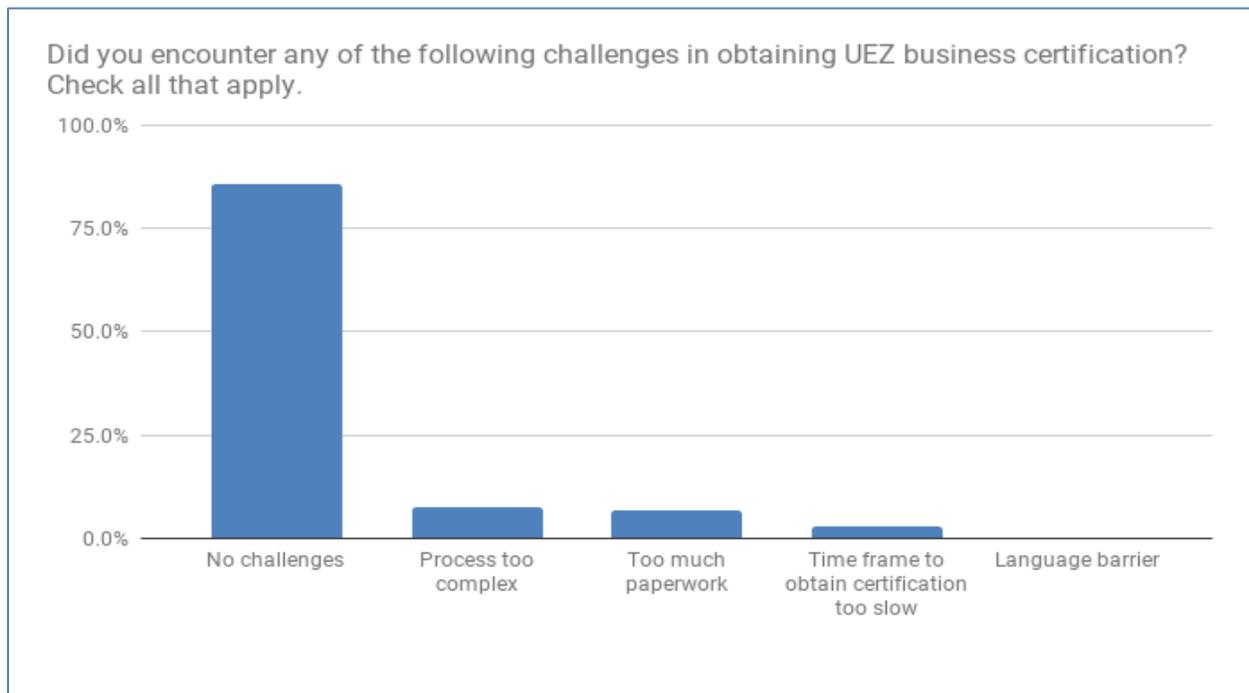
<i>Options</i>	Response Count	Percent of Responses
Sales tax reduction (UEZ)	378	61.6%
Enterprise Zone Assistance Fund – capital projects (UEZ)	80	13.0%
Enterprise Zone Assistance Fund – other projects (UEZ)	34	5.5%
Sales tax exemption/refund for certain business purchases (UEZ/NJ Department of Treasury)	312	50.8%
Employee tax credits (NJ Department of Treasury)	55	9.0%
Subsidized unemployment insurance (NJ Department of Labor)	13	2.1%
Business training (NJEDA)	19	3.1%
Worker training (NJ Department of Labor)	24	3.9%
Tax credit against Corporate Business Tax (NJ Department of Treasury)	26	4.2%
Priority financial assistance (NJEDA)	0	0.0%
Energy and utility service sales tax exemption – manufacturers (NJEDA)	12	2.0%
Business Retention & Relocation Assistance Grant (NJEDA)	1	0.2%
Business Employment Incentive Program (NJEDA)	15	2.4%
None of the above	68	11.1%
Skipped Question	16	---

Sales tax reduction and sales tax exemption from the UEZ Program were the only two programs for which a majority of respondents reported participation. Employee tax credits from the NJ Department of Treasury were the most frequent non-UEZ program with which business participated at only 9 percent, while more than 11 percent of respondents reported to have not participated in any of the options listed.

Q13: Did you encounter any of the following challenges in obtaining UEZ business certification?
Check all that apply.

<i>Options</i>	Response Count	Percent of Responses
No challenges	526	85.8%
Process too complex	47	7.7%
Too much paperwork	41	6.7%
Time frame to obtain certification too slow	17	2.8%
Language barrier	1	0.2%
Skipped Question	17	---

A vast majority (85.8 percent) of respondents experienced no challenges in obtaining their original UEZ business certification.

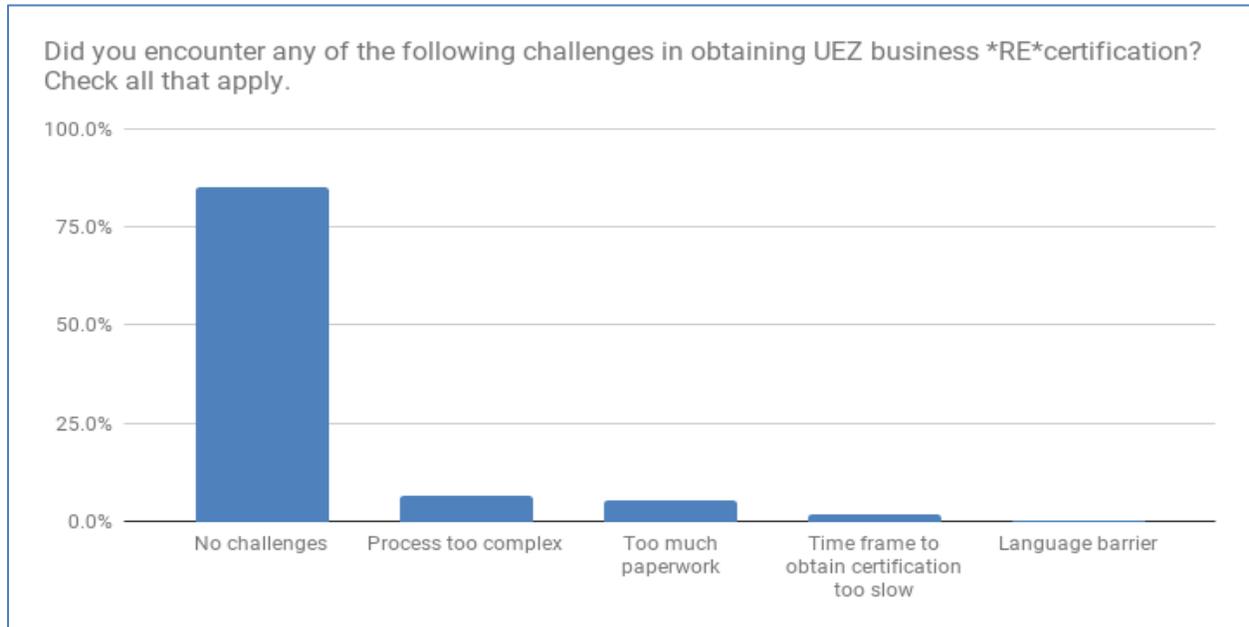


<i>“Other” Categories</i>	Response Count
Unsure or unclear response	4
Process too complex	3
Positive feedback on staff/coordinator assistance	2
Tax Issues	1
No challenges	1
Zoning	1
Communication issues with DCA	1

Q14: Did you encounter any of the following challenges in obtaining UEZ business *RE*certification? Check all that apply.

<i>Options</i>	Response Count	Percent of Responses
No challenges	517	85.2%
Process too complex	41	6.8%
Too much paperwork	34	5.6%
Time frame to obtain certification too slow	12	2.0%
Language barrier	1	0.2%
Skipped Question	23	---

Similar to Question 13, a sizeable majority of businesses responded as having no challenges with the recertification process.



<i>“Other” Categories</i>	Response Count
Have not yet reached first Re-Certification	6
Employment requirement not met	5
Filing errors	4
Process too complex	4
Tax Issues	2
Issues with PBS system	2
Communication issues with DCA	1
Positive improvements to process noted	1
Unsure or unclear response	1
Mismatch in fiscal years	1

Q15: Do you have any recommendations to improve the certification and *RE*certification process? Select up to three recommendations.

<i>Options</i>	Response Count	Percent of Responses
Less frequent recertification	244	39.7%
No changes	213	34.6%
Simplify paperwork and process	179	29.1%
The UEZ Program is important to participating businesses	150	24.4%
Automatic recertification	149	24.2%
Utilize an online process	95	15.4%
Advertise and explain UEZ benefits more clearly	92	15.0%
Provide more one-on-one support at the local level	38	6.2%
Expand the UEZ Program to additional industries and locations	35	5.7%
Improve communication between state and local govt. and business community	31	5.0%
Process is improving	30	4.9%
Quicker process	29	4.7%
Modify program incentives	22	3.6%
Modify eligibility requirements	21	3.4%
Verify status of application	17	2.8%
Improve community safety	16	2.6%
Allow more time to complete paperwork	11	1.8%
Limit the program to benefit downtowns	9	1.5%
Increase policing of the program	3	0.5%
Stringent requirements	1	0.2%
Skipped Question	15	---

The most common recommendation was to require less frequent changes, followed by no changes at all.

Q16: Do you advertise your UEZ certification to your customers?

<i>Options</i>	Response Count	Response Percent
No	405	66.1%
Yes	208	33.9%
Grand Total	613	100.0%
Skipped Question	17	

Nearly two-thirds of businesses do not advertise their UEZ certification to customers.

Q17: If yes, how do you advertise? Check all that apply.

<i>Options</i>	Response Count	Percent of Responses
Website/Online	108	45.6%
Facebook	67	28.3%
Zone Businesses (Signs)	65	27.4%
Local Newspaper	46	19.4%
Networking Events	42	17.7%
Other Social Media	36	15.2%
Instagram	28	11.8%
Radio	13	5.5%
Twitter	12	5.1%
Billboards	11	4.6%
Television	9	3.8%
Other	74	31.2%
Skipped Question	393	---

Nearly half of respondents reported advertising their UEZ certification on their website. Among “Other responses,” word-of-mouth was the most common form of advertisement, followed by signage and business communications such as brochures.

<i>“Other” Categories</i>	Response Count
Word of mouth	26
Signage	21
Brochures and other Business Communications	16
None/Not Applicable	7
Email	6
Unclear Response	3
Website/Online	1
Trade publications	1
Voicemail Greeting	1
Other Print	1

Q18: Do you track the zip codes of your customers?

<i>Options</i>	Response Count	Response Percent
No	419	69.3%
Yes	186	30.7%
Grand Total	605	100.0%
Skipped Question	25	

Q19: How far do the majority of your customers travel to patronize your business?

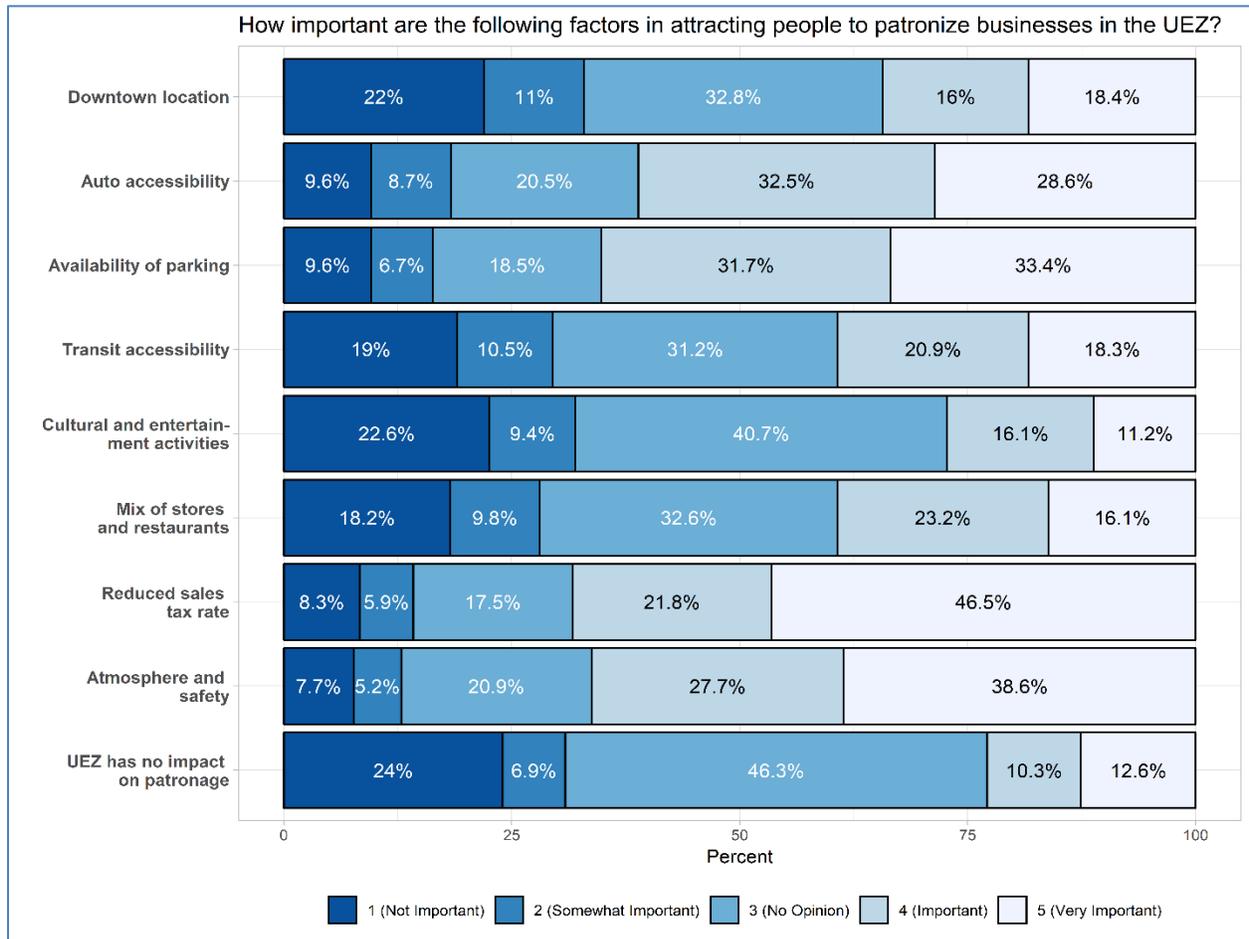
<i>Options</i>	Response Count	Response Percent
Less than 1 mile	35	5.9%
1 to 2.9 miles	45	7.5%
3 to 4.9 miles	55	9.2%
5 to 9.9 miles	105	17.6%
More than 10 miles	166	27.8%
Don't know	191	32.0%
Grand Total	597	100.0%
Skipped Question	33	

Q20: Approximately what percentage of your sales is from outside of New Jersey?

<i>Options</i>	Response Count	Response Percent
0 to 9 percent	351	58.6%
10 to 19 percent	56	9.3%
20 to 29 percent	26	4.3%
30 to 39 percent	24	4.0%
40 to 49 percent	21	3.5%
50 to 59 percent	32	5.3%
60 to 69 percent	18	3.0%
70 to 79 percent	18	3.0%
80 to 89 percent	23	3.8%
90 to 99 percent	27	4.5%
100 percent	3	0.5%
Grand Total	599	100.0%
Skipped Question	31	

Q21: How important are the following factors in attracting people to patronize businesses in the UEZ? Rate each factor on a scale of 1 to 5, with 1 being not important and 5 being very important.

Question	1 (Not Important)	2 (Somewhat Important)	3 (No Opinion)	4 (Important)	5 (Very Important)	Weighted Average	Responses
Downtown location	128	64	191	93	107	2.98	583
Auto accessibility	56	51	120	190	167	3.62	584
Availability of parking	56	39	108	185	195	3.73	583
Transit accessibility	109	60	179	120	105	3.09	573
Cultural and entertainment activities	129	54	233	92	64	2.84	572
Mix of stores and restaurants	104	56	186	132	92	3.09	570
Reduced sales tax rate	48	34	101	126	269	3.92	578
Atmosphere and safety	44	30	120	159	222	3.84	575
UEZ has no impact on patronage	126	36	243	54	66	2.81	525



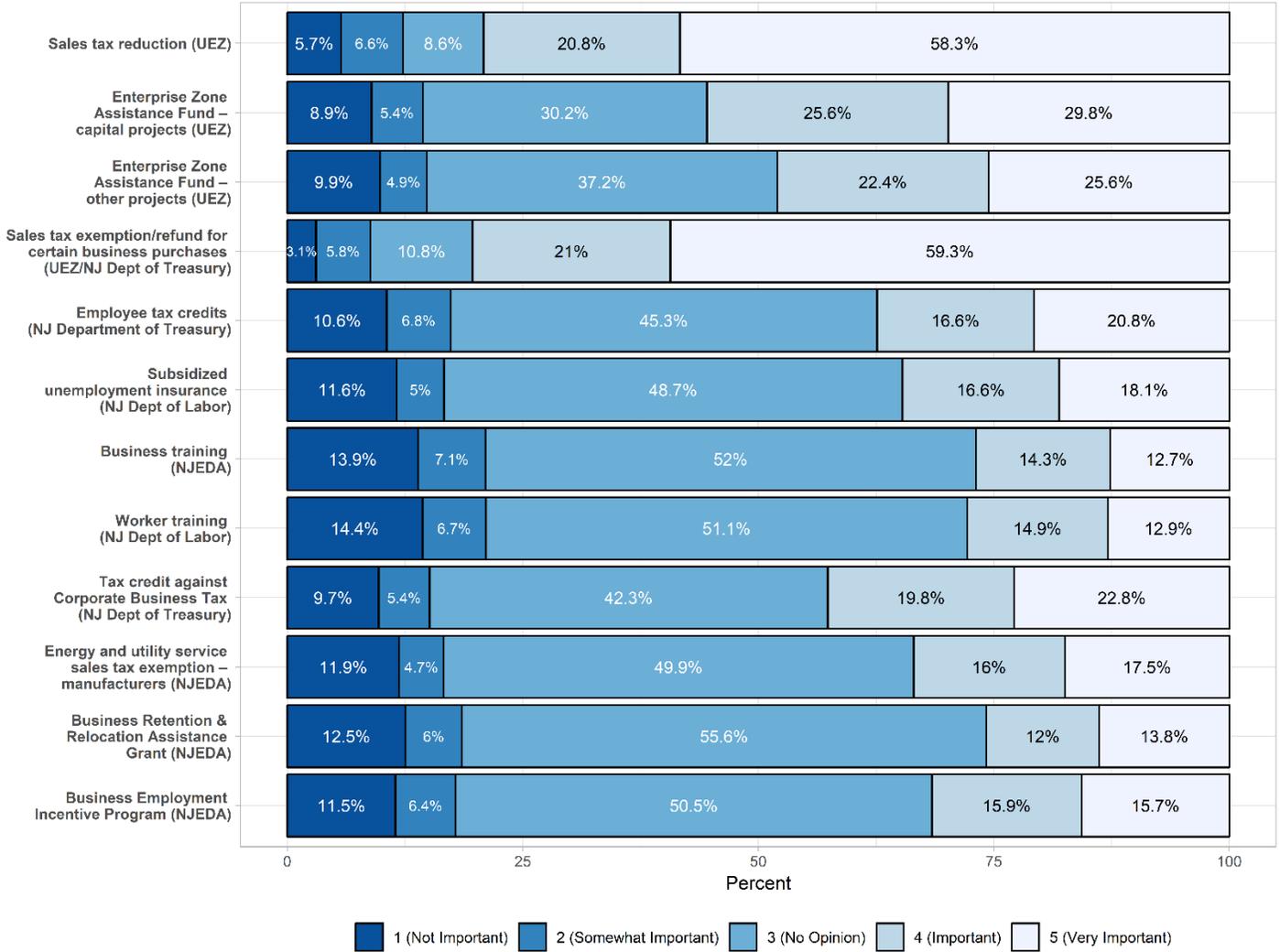
Q22: How important are the following benefits of the UEZ Program and other New Jersey economic development programs to your business? Rate each benefit on a scale of 1 to 5, with 1 being not important and 5 being very important.

<i>Question</i>	1 (Not Important)	2 (Somewhat Important)	3 (No Opinion)	4 (Important)	5 (Very Important)	Weighted Average	Responses
Sales tax reduction (UEZ)	34	39	51	124	347	4.19	595
Enterprise Zone Assistance Fund – capital projects (UEZ)	51	31	172	146	170	3.62	570
Enterprise Zone Assistance Fund – other projects (UEZ)	56	28	211	127	145	3.49	567
Sales tax exemption/refund for certain business purchases (UEZ/NJ)	18	34	64	124	350	4.28	590
Employee tax credits (NJ Department of Treasury)	59	38	253	93	116	3.30	559
Subsidized unemployment insurance (NJ Department of Labor)	65	28	272	93	101	3.25	559
Business training (NJEDA)	78	40	292	80	71	3.05	561
Worker training (NJ Department of Labor)	79	37	281	82	71	3.05	550
Tax credit against Corporate Business Tax (NJ Department of Treasury)	54	30	235	110	127	3.41	556
Energy and utility service sales tax exemption – manufacturers	66	26	277	89	97	3.23	555
Business Retention & Relocation Assistance Grant (NJEDA)	69	33	306	66	76	3.09	550
Business Employment Incentive Program (NJEDA)	63	35	277	87	86	3.18	548

The sales tax reduction and sales tax exemption/refund for certain business purchases through the UEZ Program received the greatest proportion of businesses responding with “very important” (58.3 and 59.3 percent, respectively); these two questions received the highest weighted average response of 4.19 and 4.28 respectively.

Tax credits against Corporate Business Taxes through the NJ Department of Treasury received the highest weighted average score (3.41) among non-UEZ programs. Approximately 42 percent of respondents viewed these tax credits as “important” or “very important” to their business.

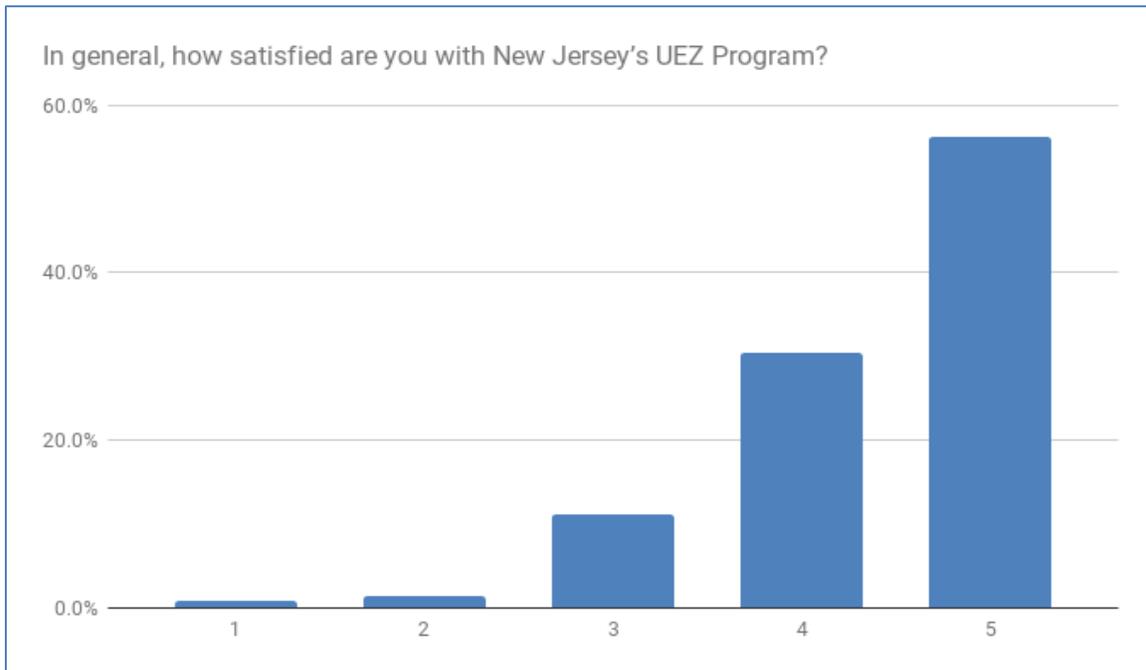
How important are the following benefits of the UEZ Program and other New Jersey economic development programs to your business?



Q23: In general, how satisfied are you with New Jersey’s UEZ Program? “1” representing “Very Dissatisfied” and “5” representing “Very Satisfied.”

<i>Options</i>	Response Count	Response Percent
1	5	0.8%
2	8	1.3%
3	68	11.2%
4	185	30.5%
5	341	56.2%
Grand Total	607	100.0%
Skipped Question	23	

More than half of respondents reported being very satisfied with New Jersey’s UEZ Program, while only 4.2 percent responded with either of the lowest two options available. The weighted average score among respondents was 4.40.



Q24: Please provide examples of how the UEZ Program has helped your business. List up to three examples.

<i>Categories</i>	Response Count	Percent of Responses
Reduced costs	187	51.7%
Increased capital investments	83	22.9%
Increased sales	41	11.3%
More customers	41	11.3%
Consumer benefits from decreased sales tax	36	9.9%
Increased staffing	30	8.3%
Increased competitive advantage	19	5.2%
Building improvements	17	4.7%
None N/A or unclear response	16	4.4%
Grant/loan proceeds	15	4.1%
Savings helped expand business	9	2.5%
Remain competitive with national and/or online retailers	7	1.9%
Improved employee pay/benefits	6	1.7%
Strengthened business community	5	1.4%
Able to purchase more product	4	1.1%
Minimal or no help	4	1.1%
Hiring local residents	4	1.1%
Marketing and advertisement assistance	3	0.8%
Helpful UEZ staff	3	0.8%
Trainings for staff	3	0.8%
Impacted decision for business location selection	2	0.6%
Technical assistance from local coordinator	2	0.6%
Employee tax credit	2	0.6%
Contractor tax exemptions	2	0.6%
Networking at local UEZ events	2	0.6%
Better financing opportunities	2	0.6%
Business startup assistance	2	0.6%
Maintain employment levels	2	0.6%
Increased available funds for marketing	1	0.3%
Increased inventory	1	0.3%
Qualified for NJ GROW program	1	0.3%
Business Employment Incentive Program (BEIP)	1	0.3%
Utility/energy sales tax exemption	1	0.3%
Ability to afford higher quality products	1	0.3%
Improved productivity	1	0.3%
Skipped Question	268	---

Q25: What improvements would you suggest to strengthen the UEZ Program in your community? List up to three recommendations. (100 character maximum).

<i>Categories</i>	Response Count	Percent of Responses
Increase UEZ marketing	45	20.6%
Increase training on UEZ Program benefits	27	12.4%
Increase grant/loan opportunities	14	6.4%
Automatic or simplified renewals	13	6.0%
Increase communication	9	4.1%
Streamline/simplify reporting requirements	9	4.1%
Reinstate Zone Assistance Funds	9	4.1%
Relax or simplify eligibility criteria	9	4.1%
Increase public safety in zones	6	2.8%
Expand program generally	6	2.8%
Increase program business assistance	6	2.8%
Expand and add additional zones to program	5	2.3%
Increased local coordinator presence	5	2.3%
Expand energy and utility sales tax exemption	4	1.8%
Expand sales tax reduction to other business types	4	1.8%
Additional tax credits/relief	4	1.8%
Additional hiring incentives	3	1.4%
Infrastructure improvements	3	1.4%
Workforce training/development opportunities	2	0.9%
Improve project approval process timeliness	2	0.9%
Extend renewal period	2	0.9%
Public UEZ participant directory	2	0.9%
Extend tax advantages to S Corporations and Partnerships	2	0.9%
Increase recruitment of non-UEZ businesses within zones	2	0.9%
Reduce the number and/or size of zones	2	0.9%
Relax/remove prevailing wage requirements for UEZ fund projects	1	0.5%
Expand purchases qualifying for sales tax exemption	1	0.5%
Restrict sales tax reduction from shipped retail purchases	1	0.5%
Easier refund process for businesses operating both in and outside UEZ zones	1	0.5%
Bilingual communications	1	0.5%
Improve intradepartmental communications (e.g. Revenue, Taxation, UEZ)	1	0.5%
Expand Unemployment Insurance Credit	1	0.5%
Increase enforcement of location requirement	1	0.5%
Housing development programs	1	0.5%
Blight and vacancy initiatives	1	0.5%
Environmental remediation assistance	1	0.5%
N/A	60	27.5%
Skipped Question	412	---

Q26: What are the major challenges facing your business today? Select up to five.

<i>Options</i>	Response Count	Percent of Responses
General operating costs	290	50.0%
Employee benefits costs	230	39.7%
Property taxes	212	36.6%
Payroll costs	204	35.2%
Availability of skilled/prepared employees	190	32.8%
Cost of rent/property ownership	189	32.6%
Cash flow/working capital	175	30.2%
Competition	145	25.0%
Low sales volume	139	24.0%
Other State and Local Taxes	123	21.2%
Low customer volume	108	18.6%
State and local regulations	102	17.6%
Parking	101	17.4%
Public safety/crime	97	16.7%
Federal Taxes	94	16.2%
Condition of property	45	7.8%
Municipal/County/State government issues	40	6.9%
Federal regulations	37	6.4%
Outdated machinery/technology	33	5.7%
Computer/technology	27	4.7%
Lack of marketing experience	23	4.0%
Other	20	3.3%
Skipped Question	50	---

Half of all respondents providing at least one response to the question cited “general operating costs” as major challenging facing their business today, while more than a third also identified “employee benefit costs,” “property taxes,” and “payroll costs” as a challenge.

Twenty respondents provided further input with a text response in the “Other” selection. These responses were reviewed and categorized (see graph to the right). The most common of these responses identified utility costs, regulations and bureaucracy, and insurance costs. Three

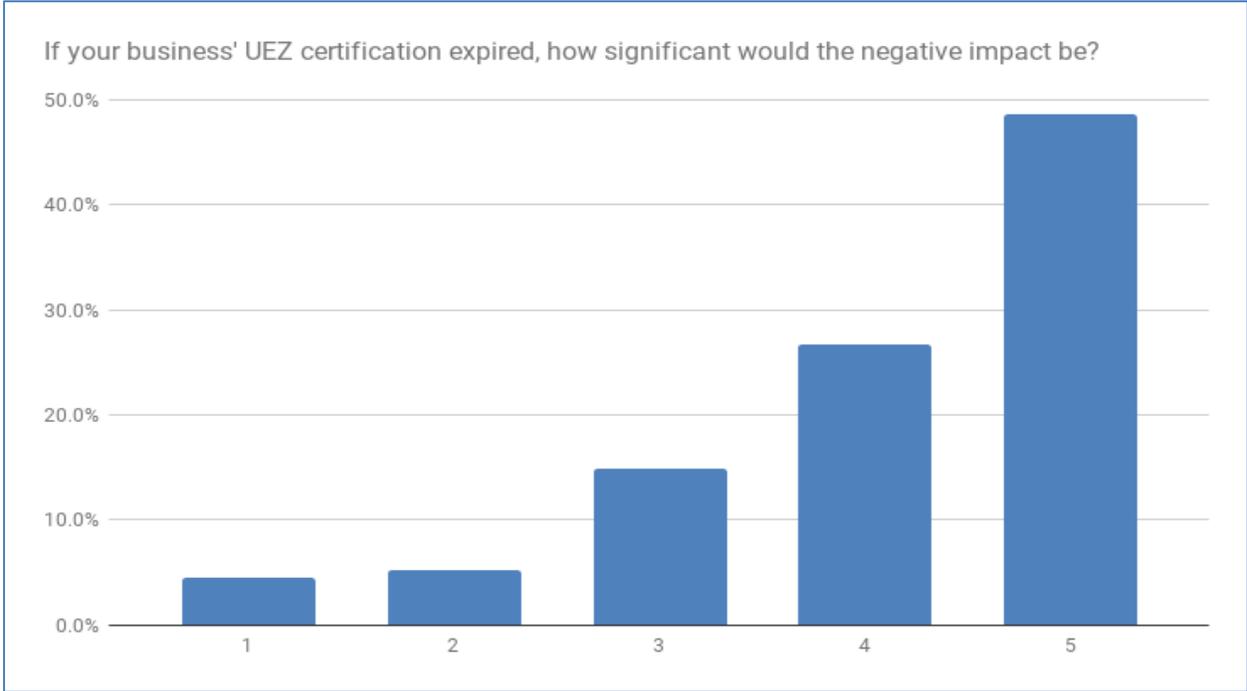
<i>Categories</i>	Response Count
Utility Costs	4
Regulations / Bureaucracy	3
Insurance Costs	3
Availability of skilled/prepared employees	3
Tariffs	1
Poverty, Vacancy and Blight	2
Politics	1
None/Not Applicable	1
Minimum Wage Increases	1
Competition	1
Grand Total	20

respondents also expanded on their difficulty retaining a prepared and dependable workforce.

Q27: If your business' UEZ certification expired, how significant would the negative impact be? "1" representing "little to no negative impact" to "5" representing "significant negative impact."

<i>Options</i>	Response Count	Response Percent
1	27	4.6%
2	31	5.2%
3	88	14.9%
4	158	26.7%
5	288	48.6%
Grand Total	592	100.0%
Skipped Question	38	

Nearly half of the respondents suggested that an expiration of their UEZ certification would have a significant negative impact on their business, while less than 5 percent responded that a UEZ certification expiration would have "little to no negative impact."



Q28: How would your business be impacted if your zone’s certification expired and you were no longer eligible for the UEZ benefits? (Select up to five)

<i>Options</i>	Response Count	Percent of Responses
Increased operating costs, decreased profits	376	66.5%
Impacts to future growth, expansion, capital improvements, and equipment purchases	333	58.9%
Reduce capital expenditures and business purchases	244	43.2%
Decrease in sales due to loss of reduced sales tax rate	237	41.9%
Reduced competitive advantage	222	39.3%
Job losses	175	31.0%
Increased competition with malls, big box stores, neighboring states, Internet	82	14.5%
Quality of life impacts: crime, safety, cleanliness, streetscapes	53	9.4%
Business closure	42	7.4%
Relocate business out of New Jersey	42	7.4%
Skipped Question	65	---

A majority of respondents to the above question replied that their business would witness increased operating costs and decreased profits, and negative impacts on future growth and capital improvements if their UEZ zone’s certification expired and the business no longer received UEZ benefits. Nearly one in three responding businesses suggested job losses as an impact.

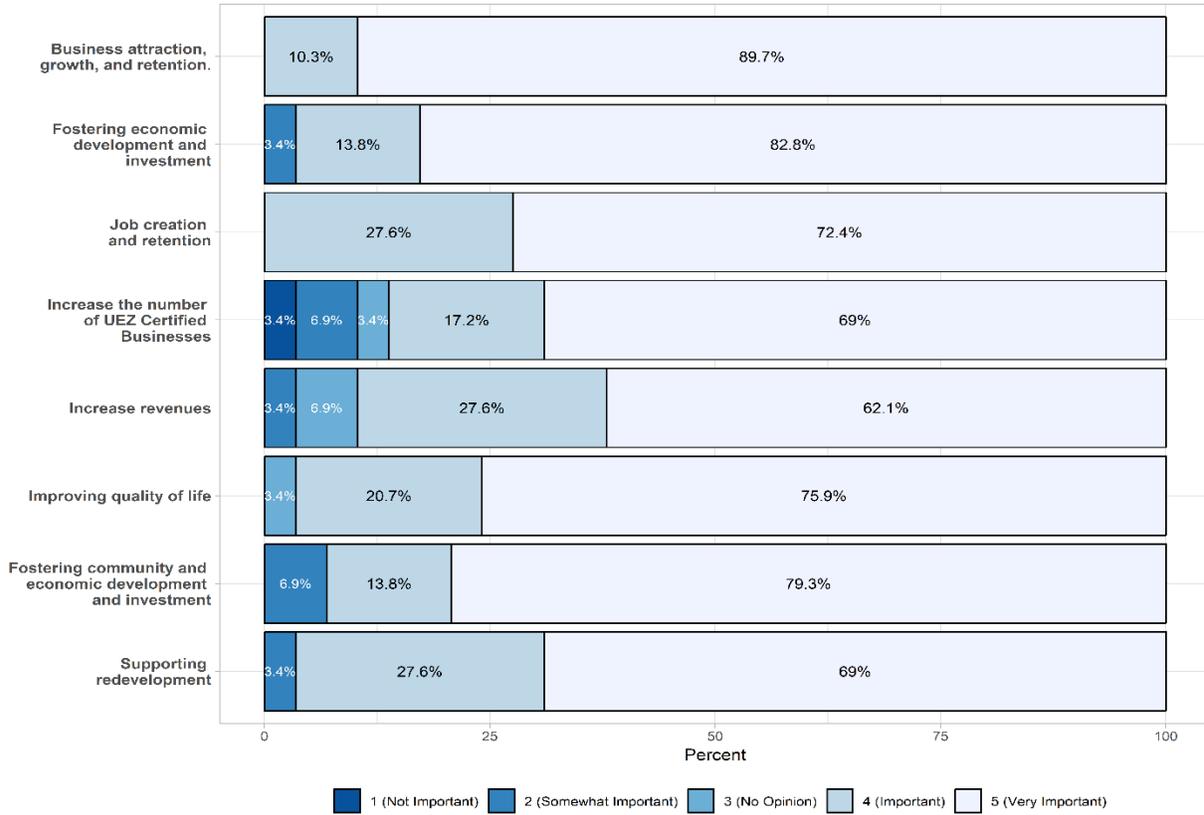
APPENDIX D:
COORDINATOR SURVEY RESPONSES

Q1: What goals or objectives are most important for your UEZ?

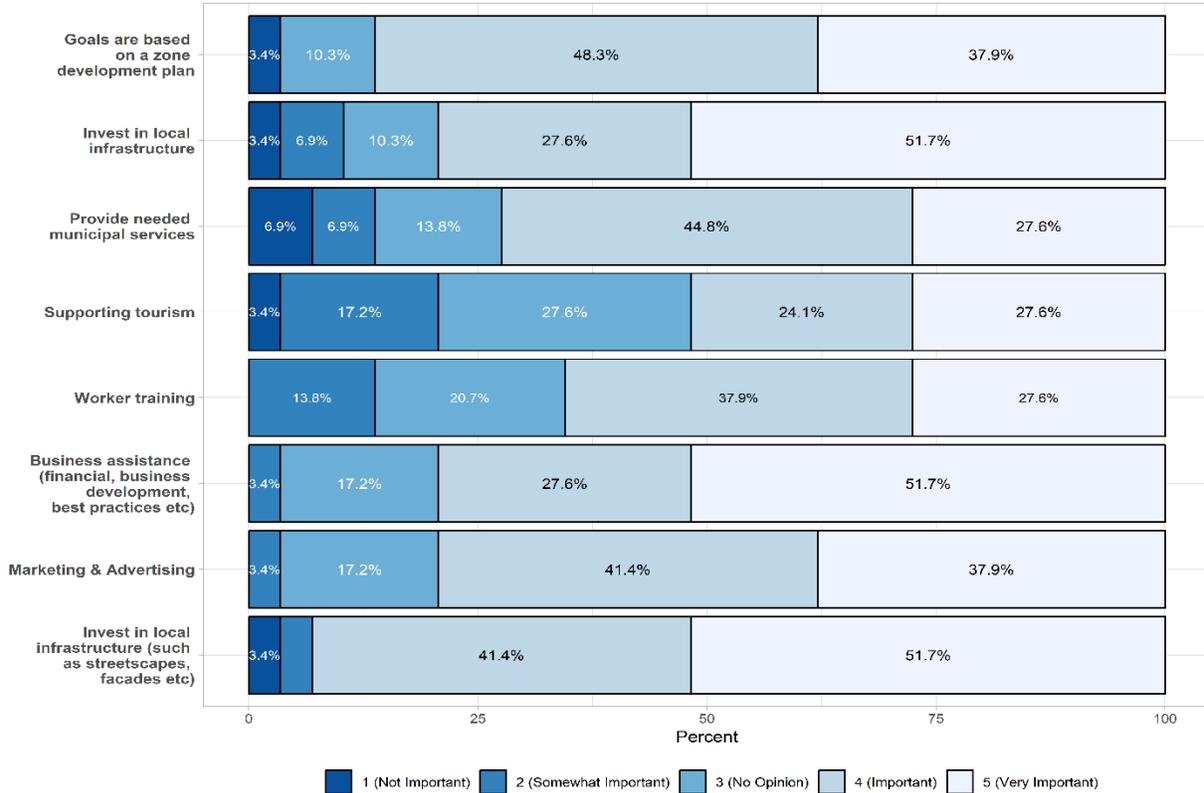
<i>Question</i>	1 (Not Important)	2 (Somewhat Important)	3 (No Opinion)	4 (Important)	5 (Very Important)	Weighted Average	Responses
Business attraction, growth, and retention	0	0	0	3	26	4.90	29
Fostering economic development and investment	0	1	0	4	24	4.76	29
Job creation and retention	0	0	0	8	21	4.72	29
Increase the number of UEZ Certified Businesses	1	2	1	5	20	4.41	29
Increase revenues	0	1	2	8	18	4.48	29
Improving quality of life	0	0	1	6	22	4.72	29
Fostering community and economic development and investment	0	2	0	4	23	4.66	29
Supporting redevelopment	0	1	0	8	20	4.62	29
Goals are based on a zone development plan	1	0	3	14	11	4.17	29
Invest in local infrastructure	1	2	3	8	15	4.17	29
Provide needed municipal services	2	2	4	13	8	3.79	29
Supporting tourism	1	5	8	7	8	3.55	29
Worker training	0	4	6	11	8	3.79	29
Business assistance (financial, business development, best practices etc.)	0	1	5	8	15	4.28	29
Marketing & Advertising	0	1	5	12	11	4.14	29
Invest in local infrastructure (such as streetscapes, facades etc.)	1	1	0	12	15	4.34	29

“Business attraction, growth, and retention” was the highest rated response (weighted average 4.90) with all but three respondents answering “5 (Very Important),” while the lowest weighted average response (3.55) was “Supporting tourism.”

What goals or objectives are most important for your UEZ?



What goals or objectives are most important for your UEZ? (continued)



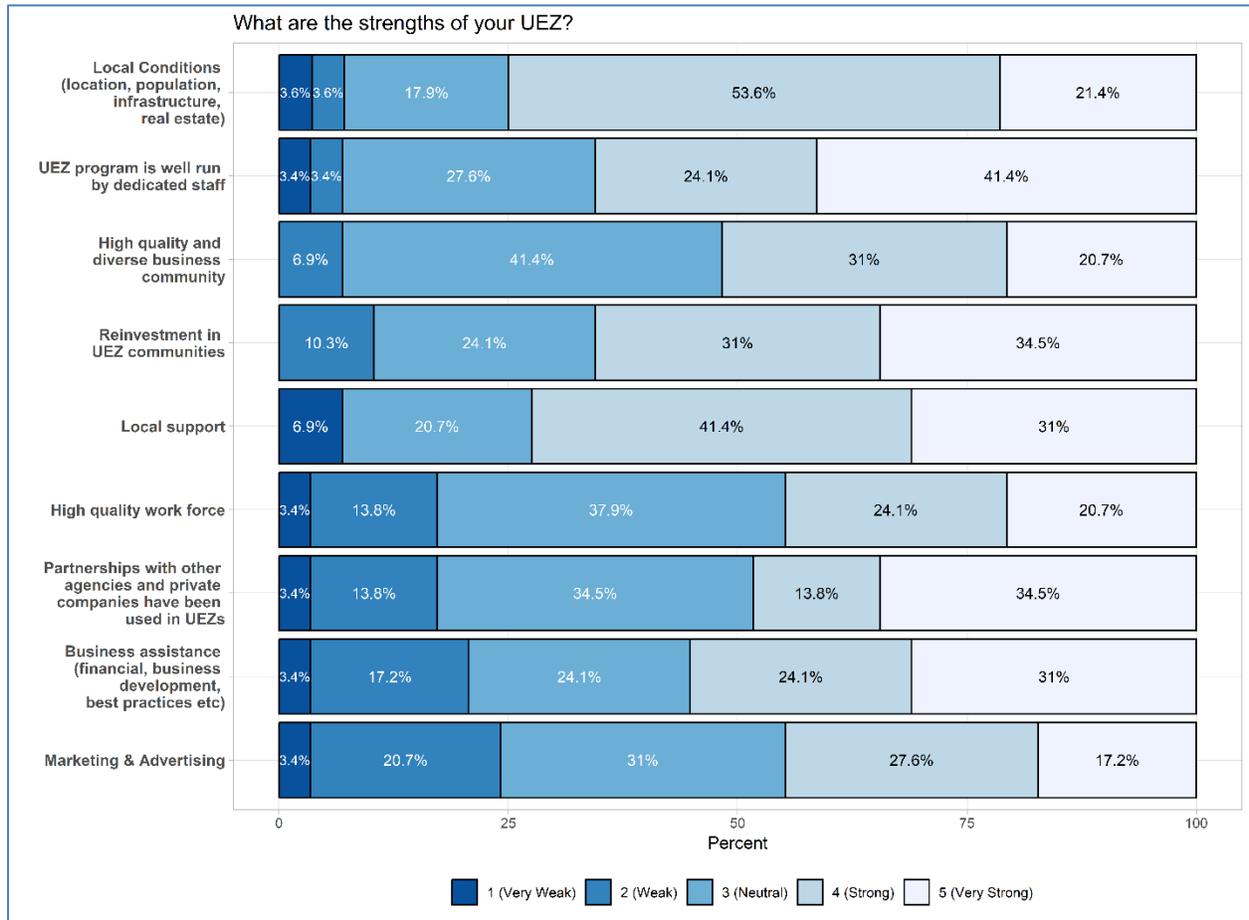
Q2: What is the primary goal or objective of your UEZ? (Text response)

<i>Categories</i>	Response Count	Percent of Responses
Fostering economic development and investment	15	62.5%
Developing and growing businesses	9	37.5%
Job Creation and Retention	8	33.3%
Local Business Assistance	3	12.5%
Attracting more consumers to the zone	3	12.5%
Investing in local infrastructure	2	8.3%
Increasing Public Safety	1	4.2%
Supporting tourism	1	4.2%
Increasing property tax rates for municipality	1	4.2%
Improving quality of life	1	4.2%
Increasing number of UEZ Certified Businesses	1	4.2%
Skipped Question	6	---

A majority of text responses identified goals relating to the fostering of economic development. One out of every three responses acknowledged the development, growth, and retention of businesses and/or jobs as a primary goal.

Q3: What are the strengths of your UEZ?

Question	1 (Very Weak)	2 (Weak)	3 (Neutral)	4 (Strong)	5 (Very Strong)	Weighted Average	Responses
Local Conditions (location, population, infrastructure, real estate)	1	1	5	15	6	3.86	28
UEZ Program is well run by dedicated staff	1	1	8	7	12	3.97	29
High quality and diverse business community	0	2	12	9	6	3.66	29
Reinvestment in UEZ communities	0	3	7	9	10	3.90	29
Local support	2	0	6	12	9	3.90	29
High quality work force	1	4	11	7	6	3.45	29
Partnerships with other agencies and private companies have been used in UEZs	1	4	10	4	10	3.62	29
Business assistance (financial, business development, best practices etc.)	1	5	7	7	9	3.62	29
Marketing & Advertising	1	6	9	8	5	3.34	29



Q4: What are the strengths of your UEZ? (Text response)

<i>Categories</i>	Response Count	Percent of Responses
Loan program	6	26.1%
Business Assistance	4	17.4%
High quality and diverse business community	4	17.4%
Local Conditions (location, population, infrastructure, real estate)	4	17.4%
Reinvestment in UEZ communities	4	17.4%
UEZ Program is well run by dedicated staff	2	8.7%
Marketing & Advertising	2	8.7%
Partnerships with other agencies and private companies	2	8.7%
Public safety	2	8.7%
High quality work force	1	4.3%
Local support	1	4.3%
Brownfield program	1	4.3%
Beautification programs	1	4.3%
Strong UEZ-business relationships	1	4.3%
Engaged and informed UEZ Board	1	4.3%
N/A or unclear	1	4.3%
Skipped Question	7	---

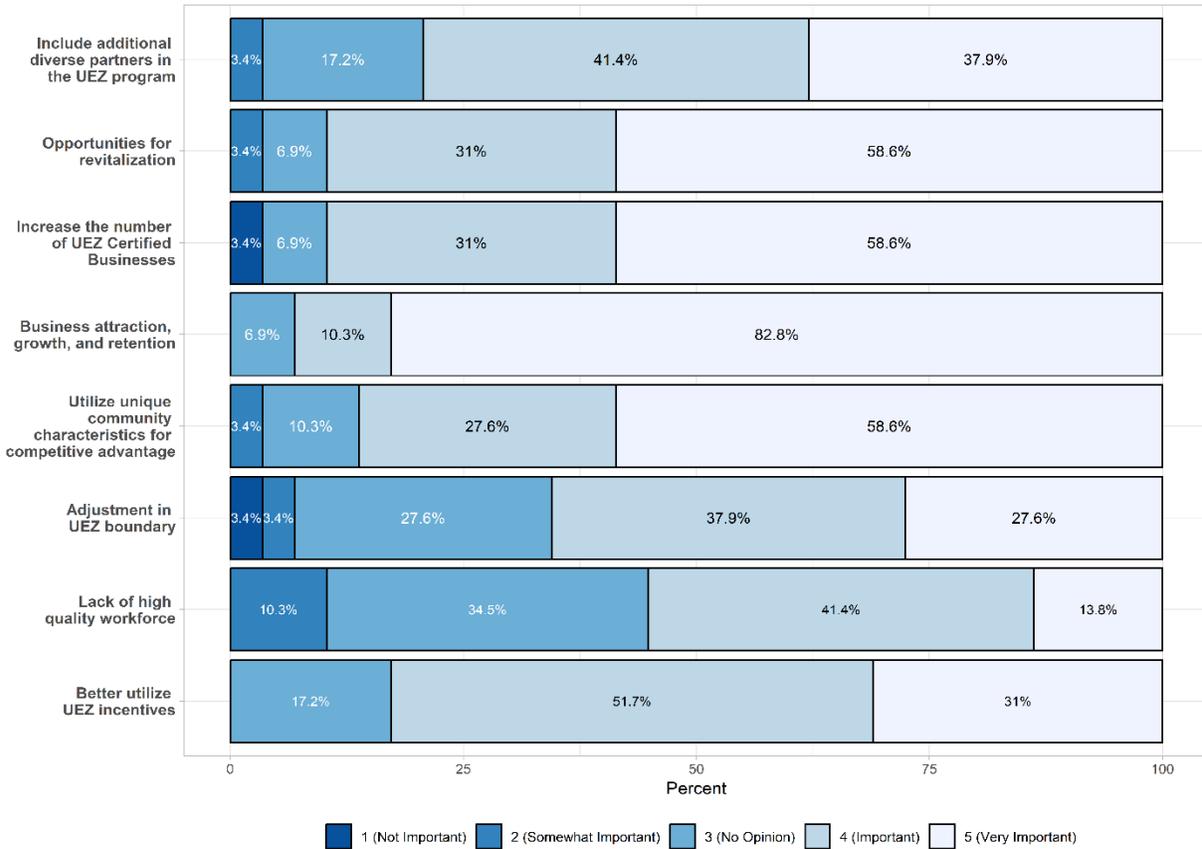
Repondents noted a wide variety of strengths, with local UEZ loan programs the most numerous.

Q5: How important are the following opportunities for improvement in your UEZs?

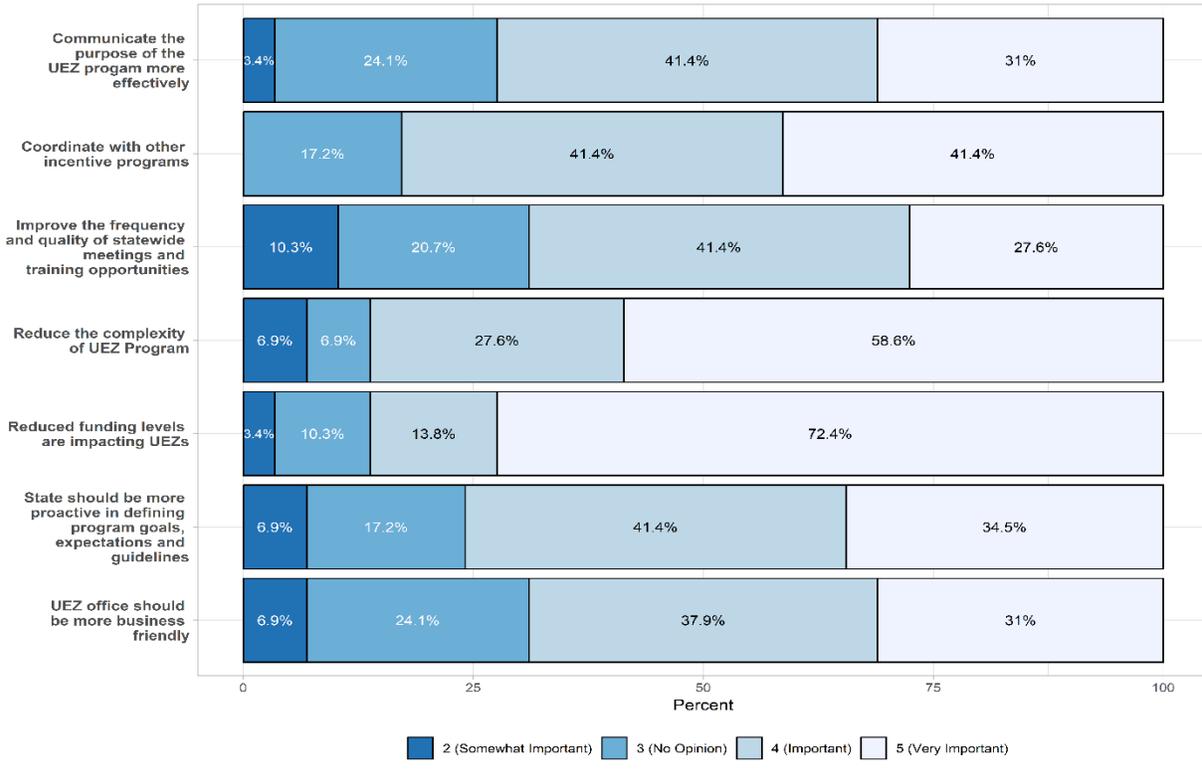
<i>Question</i>	1 (Not Important)	2 (Somewhat Important)	3 (No Opinion)	4 (Important)	5 (Very Important)	Weighted Average	Responses
Include additional diverse partners in the UEZ Program	0	1	5	12	11	4.14	29
Opportunities for revitalization	0	1	2	9	17	4.45	29
Increase the number of UEZ Certified Businesses	1	0	2	9	17	4.41	29
Business attraction, growth, and retention	0	0	2	3	24	4.76	29
Utilize unique community characteristics for competitive advantage	0	1	3	8	17	4.41	29
Adjustment in UEZ boundary	1	1	8	11	8	3.83	29
Lack of high quality workforce	0	3	10	12	4	3.59	29
Better utilize UEZ incentives	0	0	5	15	9	4.14	29
Communicate the purpose of the UEZ Program more effectively	0	1	7	12	9	4.00	29
Coordinate with other incentive programs	0	0	5	12	12	4.24	29
Improve the frequency and quality of statewide meetings and training opportunities	0	3	6	12	8	3.86	29
Reduce the complexity of UEZ Program	0	2	2	8	17	4.38	29
Reduced funding levels are impacting UEZs	0	1	3	4	21	4.55	29
State should be more proactive in defining program goals, expectations and guidelines	0	2	5	12	10	4.03	29
UEZ office should be more business friendly	0	2	7	11	9	3.93	29

Consistent with Question 1’s ranking of UEZ goals, respondents ranked “Business attraction, growth, and retention” as the most important opportunity for improvement (weighted average = 4.76), followed by the statement “Reduced funding levels are impacting UEZ.”

How important are the following opportunities for improvement in your UEZs?



How important are the following opportunities for improvement in your UEZs? (continued)



Q6: What are your biggest opportunities for improvement? (Text response)

<i>Categories</i>	Response Count	Percent of Responses
Reinstate Zone Assistance Funds or increased loan/grant opportunities	6	26.1%
Redevelopment brownfields, vacant/blighted and other underutilized properties	6	26.1%
Increased UEZ funding generally	5	21.7%
Marketing, advertisement, and increased program awareness	4	17.4%
Funding for local UEZ staff	4	17.4%
Business attraction, growth, and retention	3	13.0%
Workforce development and training	2	8.7%
Leveraging Federal Opportunity Zones	2	8.7%
Increase the number of UEZ Certified Businesses	1	4.3%
Adjustment in UEZ boundary	1	4.3%
Increased small business support	1	4.3%
Skipped Question	7	---

Respondents provided a diversity of response to the biggest opportunities for improvement. Funding was a major theme, either alluded to generally or specifically citing the need/desire for increased loan/grant opportunities such as the former Zone Assistance Funds. Addressing underutilized properties, either affected by blight, vacancy, or brownfields status, was another high-ranking opportunity cited.

Q7: What indicators/metrics does your zone track to measure performance, including and in addition to those required by the State of New Jersey? (Text response)

<i>Categories</i>	Response Count	Percent of Responses
Required metrics (job and capital investment figures)	13	52.0%
Number of businesses added or dropped from program	9	36.0%
None	4	16.0%
Program inquiries made	3	12.0%
Impact on tax ratables	3	12.0%
Local unemployment rate	3	12.0%
Private and public funds invested in community/projects	2	8.0%
Pedestrian traffic and/or customer visits	2	8.0%
Commercial occupancy/vacancy	2	8.0%
Social media followers	1	4.0%
Retail sales	1	4.0%
Business retention surveys	1	4.0%
Event visitors	1	4.0%
Program participants	1	4.0%
Qualitative feedback from businesses	1	4.0%
Business revenue when feasible	1	4.0%
Skipped Question	5	---

A majority of responding coordinators noted tracking the number of jobs and the level of capital investment made by businesses in their UEZ, which are required data points for businesses during UEZ annual reporting and recertification; four of the 13 explicitly noted that these are the only metrics they track.

Q8: How do you track and monitor performance?

<i>Categories</i>	Response Count
Monitor state database	2
Business program participation	1
Business surveys	1
Monitor UEZ renewals/re-certifications	1
Loan repayment monitoring	1
N/A	3
Skipped Question	22

Q9: How do you market your Urban Enterprise Zone? (Multiple selections permitted)

<i>Options</i>	Response Count	Percent of Responses
Website	20	80.0%
Flyers/Pamphlets	19	76.0%
Special Events	14	56.0%
Signs	11	44.0%
Facebook	10	40.0%
Other	10	40.0%
Other Social Media	7	28.0%
Twitter	5	20.0%
Newspaper	4	16.0%
A professional consultant	4	16.0%
Instagram	3	12.0%
No marketing	3	12.0%
Skipped Question	5	---

A majority of respondents cited marking their Urban Enterprise Zone on a website, through flyers or pamphlets, or with special events. Facebook was the most frequently used social media platform for UEZ marketing. Only three respondents did not market their UEZ in any way.

Respondents were also permitted to enter an “Other” text response. The most common marketing referred to was face-to-face communications as well as email and marketing within magazines.

<i>Categories</i>	Response Count
Face-to-face	4
Email	3
Magazines	3
Newsletters	2
Television	2
Seminars/Networking	2
Billboards	1

Q10: How has the program changed in your municipality since the 2011 law changes? (Text Responses)

<i>Options</i>	Response Count	Percent of Responses
Reduction or elimination of capital investments	9	36.0%
Reduction or elimination of services generally	8	32.0%
Reduction or elimination of new grants/loans	5	20.0%
Reduced outreach to business community	2	8.0%
Loss of administrative budget	1	4.0%
Reduced or eliminated advertisements	1	4.0%
Increased training opportunities	1	4.0%
Increased social media presence	1	4.0%
Partnered with other programs/entities to advance UEZ-related goals	1	4.0%
Decreased workforce development	1	4.0%
No changes	1	4.0%
Unsure	1	4.0%
Skipped Question	5	---

A variety of responses were provided, with the most common citing reduction or elimination of capital investments, local coordinator services, and loan/grant provisions.

Q11: What services have been discontinued since the 2011 law changes?

<i>Categories</i>	Response Count	Percent of Responses
Reduced municipal services	8	32.0%
Capital investments	8	32.0%
Reduced or eliminated paid staff	6	24.0%
Marketing and promotion of program	6	24.0%
Grants/loans	5	20.0%
Anti-litter "Clean Team" initiatives	3	12.0%
Trainings and workforce development	3	12.0%
No services discontinued	2	8.0%
All services discontinued	1	4.0%
Most services discontinued	1	4.0%
Business technical assistance	1	4.0%
Services outsourced	1	4.0%
N/A	2	8.0%
Skipped Question	5	---

Reduction in municipal services and discontinuation of capital investments were the most frequently noted services impacted by the 2011 law changes.

Q12: What services have been absorbed elsewhere into the municipal/other entity's budget since the 2011 law changes?

<i>Categories</i>	Response Count	Percent of Responses
Anti-litter "Clean Team" initiatives	6	28.6%
Public safety initiatives/staffing	6	28.6%
Program administration	2	9.5%
Capital investments	2	9.5%
Business technical assistance	2	9.5%
Marketing and promotion of program	2	9.5%
All services absorbed or discontinued	1	4.8%
Public works initiatives/staffing	1	4.8%
Beautification initiatives	1	4.8%
Services outsourced to non-profit	1	4.8%
Seasonal events	1	4.8%
None	3	14.3%
N/A or Unsure	2	9.5%
Skipped Question	9	---

Q13: Does your UEZ have second generation funds?

<i>Options</i>	Response Count	Response Percent
No	13	46.4%
Yes	15	53.6%
Grand Total	28	100.0%
Skipped Question	2	

Q14: How does your UEZ establish its investment priorities for second generation funds? (Check all that apply)

<i>Categories</i>	Response Count	Percent of Responses
Second generation funds are retained as a revolving account	11	52.4%
Local UEZ Board determines investment of second generation funds with community input	3	14.3%
Other	9	42.9%
Skipped Question	9	---

<i>"Other" Categories</i>	Response Count
City's Municipal County approves all expenditures	1
Funds used to address brownfield, blight/vacant properties	1
Same as UEZ's First Generation funds	1
N/A	6

Q15: What major investments have been made with your second generation funds? (Check all that apply)

<i>Options</i>	Response Count	Percent of Responses
Supporting redevelopment	14	77.8%
Second generation funds are retained as a revolving account	12	66.7%
Business attraction, growth, and retention	9	50.0%
UEZ Program leverages additional economic growth and investment	7	38.9%
Land acquisition	6	33.3%
Invest in local infrastructure (such as streetscapes, facades etc.)	6	33.3%
Improving quality of life	5	27.8%
Supporting tourism	4	22.2%
Supporting mixed-use development	4	22.2%
Building construction and fit out (such as furniture, equipment, elevators, etc.)	4	22.2%
Building fit out (such as furniture, equipment, elevators, etc.)	3	16.7%
Funding for municipal services	2	11.1%
Skipped Question	12	---

Q16: Describe major investments that have been made with your second generation funds? (Text response)

<i>Categories</i>	Response Count	Percent of Responses
Property acquisition	5	27.8%
Redevelopment project(s)	4	22.2%
Business assistance loans	3	16.7%
Infrastructure projects	2	11.1%
Public Safety infrastructure (camera system)	1	5.6%
Building improvements and restoration	1	5.6%
Jobs training program	1	5.6%
Industrial park development	1	5.6%
Strip mall renovation	1	5.6%
Business incentive packages	1	5.6%
N/A	5	27.8%
Skipped Question	12	---

Q17: How do you track the use and performance of second generation funds? (Check all that apply)

<i>Options</i>	Response Count	Percent of Responses
UEZ tracks second generation funds through local financial institution	6	37.5%
Limited tracking of second generation funds	5	31.3%
Second generation funds are monitored through QuickBooks with input from local a local auditor and accountant	4	25.0%
Local UEZ will establish metrics to monitor the use and performance of second generation funds	3	18.8%
Second generation funds are accounted for quarterly in the mandated second generation report	3	18.8%
Other	8	50.0%
Skipped Question	14	---

Q18: How do you track the use and performance of second generation funds? (Text response)

<i>Categories</i>	Response Count	Percent of Responses
Municipal finance officer or committee monitors funds	3	18.8%
Proprietary financial software	3	18.8%
Annual audits	2	12.5%
Monthly or quarterly reporting	2	12.5%
Project-level expenditure tracking	1	6.3%
Monitored against adopted redevelopment plan	1	6.3%
N/A	5	31.3%
Skipped Question	14	---

Q19: What are some examples of your Program’s greatest successes in the past five years? (Provide up to three, and identify any specific metrics such as jobs created, new businesses launched, private investment, vacant properties revitalized, etc.) (Text response)

<i>Categories</i>	Response Count	Percent of Responses
Business retention and recruitment	10	47.6%
Job retention and growth	7	33.3%
Reduction in blight and vacancy	4	19.0%
Increased business investments	4	19.0%
Property acquisition	3	14.3%
Public infrastructure improvements	3	14.3%
Community events	2	9.5%
Supporting businesses with loan/grants	2	9.5%
Environmental remediation or brownfield redevelopment	2	9.5%
Land acquisition	2	9.5%
Marketing & advertisement	2	9.5%
Development project completed (mixed use)	2	9.5%
Development project completed (commercial)	2	9.5%
Public safety infrastructure	1	4.8%
Clean team	1	4.8%
Microloan program	1	4.8%
Comprehensive downtown redevelopment planning	1	4.8%
Business expansion	1	4.8%
Leveraging NJ Grow program	1	4.8%
Development project completed (residential)	1	4.8%
Development project completed (industrial park)	1	4.8%
Site development preparation (including demolition)	1	4.8%
Strip mall revitalization project	1	4.8%
Downtown revitalization project	1	4.8%
Facade improvement program	1	4.8%
None or N/A	3	14.3%
Skipped Question	8	---

Q20: How often has your zone coordinator changed since your UEZ was designated?

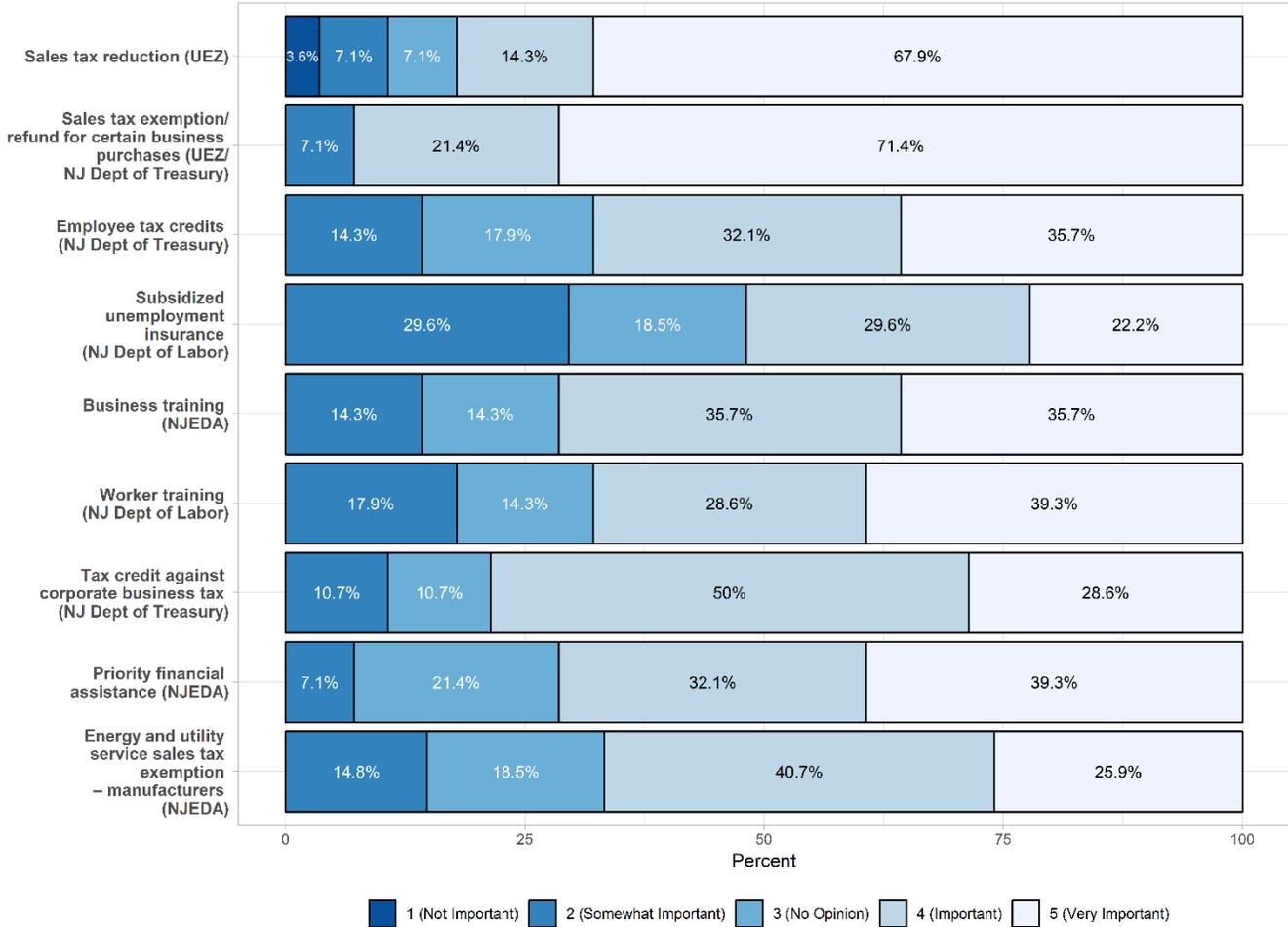
<i>Options</i>	Response Count	Response Percent
Once	5	19.2%
Twice	6	23.1%
Three times	6	23.1%
Four times	3	11.5%
Five times	1	3.8%
Six times	0	0.0%
More than six times	1	3.8%
Unknown	4	15.4%
Grand Total	26	100.0%
Skipped Question	4	

Q21: Which UEZ Program benefits or other State programs are important to your UEZ? (Rate each of the following on a scale from 1 to 5, with 1 least important and 5 very important)

<i>Question</i>	1 (Not Important)	2 (Somewhat Important)	3 (No Opinion)	4 (Important)	5 (Very Important)	Weighted Average	Responses
Sales tax reduction (UEZ)	1	2	2	4	19	4.36	28
Sales tax exemption/refund for certain business purchases (UEZ/NJ Department of Treasury)	0	2	0	6	20	4.57	28
Employee tax credits (NJ Department of Treasury)	0	4	5	9	10	3.89	28
Subsidized unemployment insurance (NJ Department of Labor)	0	8	5	8	6	3.44	27
Business training (NJEDA)	0	4	4	10	10	3.93	28
Worker training (NJ Department of Labor)	0	5	4	8	11	3.89	28
Tax credit against corporate business tax (NJ Department of Treasury)	0	3	3	14	8	3.96	28
Priority financial assistance (NJEDA)	0	2	6	9	11	4.04	28
Energy and utility service sales tax exemption – manufacturers (NJEDA)	0	4	5	11	7	3.78	27

The sales tax reduction and sales tax exemption/refund for certain business purchases through the UEZ Program received the greatest proportion of businesses responding with “very important” (67.9 and 71.4 percent, respectively); these two questions received the highest weighted average response of 4.36 and 4.57 respectively.

Which UEZ Program benefits or other State programs are important to your UEZ?



Q22: Is your UEZ also designated as a Special Improvement or Business Improvement District?

Options	Response Count
SID	6
BID	0
Both	1
Grand Total	7
Skipped Question	30

Q23: If your UEZ is also designated as a Special Improvement or Business Improvement District, what functions does it perform? (Text response)

<i>Categories</i>	Response Count
Community events	3
Street cleaning and beautification	3
Marketing and advertisement	2
Recruitment of larger businesses	1
Main Street program	1
Facade improvement program	1
Security	1
N/A	1

Q24: What would economic activity likely be within your zone if the UEZ Program did not exist? (Text response)

<i>Categories</i>	Response Count	Percent of Responses
Economic activity would be somewhat limited or depressed.	6	31.6%
Economic activity would be significantly limited or depressed.	4	21.1%
About the same	2	10.5%
Less redevelopment investment	2	10.5%
More blight and vacancy	2	10.5%
Higher unemployment	2	10.5%
Less business recruitment	1	5.3%
Loss of sales tax exemption benefit would be detrimental	1	5.3%
N/A or unsure	1	5.3%
Reduced tax ratables	1	5.3%
Loss of reduced retail sales tax benefit would be detrimental	1	5.3%
Loss of some small businesses	1	5.3%
Less public infrastructure investment	1	5.3%
Skipped Question	11	---

Q25: What are the strengths of the UEZ Program at the State level? (Text response)

<i>Categories</i>	Response Count	Percent of Responses
Tax benefits	7	31.8%
Staffing and administration	5	22.7%
Technical assistance provided by UEZA Staff	5	22.7%
N/A or unsure	3	13.6%
Interdepartmental coordination and cooperation	2	9.1%
Improved certification processes	2	9.1%
Business attraction and retention	1	4.5%
Legislature buy-in	1	4.5%
Program management	1	4.5%
Job Creation	1	4.5%
Coordinator support	1	4.5%
Local Coordinator training	1	4.5%
Minimal strengths since 2011	1	4.5%
Database management	1	4.5%
Skipped Question	8	---

Q26: What recommendations would you suggest to strengthen State-level operation and management of the UEZ Program? (Provide up to three recommendations) (Text response)

<i>Categories</i>	Response Count	Percent of Responses
Reinstate Zone Assistance Funding	8	33.3%
Streamline or simplify processes	5	20.8%
Increase training	4	16.7%
Focus on best practices	3	12.5%
More local presence from UEZA	2	8.3%
Increase personnel	2	8.3%
Streamline or simplify regulations	2	8.3%
Increase funding generally	2	8.3%
Develop a UEZ newsletter	2	8.3%
More clarity in program guidelines/provisions	1	4.2%
Streamline project approval process	1	4.2%
More training for local coordinators	1	4.2%
Sustainable funding for UEZ investment	1	4.2%
More local accountability for UEZ programming	1	4.2%
Transform UEZ into a block grant funding program.	1	4.2%
Reinstate Zone Assistance Funding, Increase training	1	4.2%
Greater Zone boundary flexibility	1	4.2%
Develop online chat feature with UEZA staff	1	4.2%
Support zone marketing	1	4.2%
More targeted program goals and measures	1	4.2%
Increase local input	1	4.2%
Make reduced sales tax permanent	1	4.2%
Develop interdepartmental contact list webpage	1	4.2%
Conform UEZ boundaries to Census Tracts or ZIP codes	1	4.2%
Skipped Question	6	---

Q27: What recommendations would you suggest that could make the UEZ Program a more effective place-based growth strategy for the State? (Provide up to three, and identify if there are elements of enterprise zone programs in other states that New Jersey should emulate) (Text response)

<i>Categories</i>	Response Count
Reinstatement of Zone Assistance Funding	5
Increased promotion and marketing of program	4
Collaboration with other agencies	3
Increased support of local Zones	3
Increased collaboration with other agencies	2
Benchmark program against similar programs in other states	2
Implementation of best practices and program benchmarks	2
Establishment of business incubator or similar programs	1
Local customization of program	1
Metric driven results	1
Federal Opportunity Zones	1
Build mechanism to automatically notify all registered businesses in a Zone of the program and its benefits	1
Economic development trainings	1
Greater Zone boundary flexibility	1
Transform UEZ into a block grant funding program.	1
More timely application processing	1
A more robust interactive database	1
Maintain tax benefits	1
Accelerated depreciation	1
Simplify regulations	1
Model reporting measures after federal Empowerment Zone Program	1
Code enforcement trainings	1
Include residential improvements	1
Skipped Question	11

APPENDIX E:
UEZ BOARD AND STATE INTERVIEW QUESTIONS

Board Member Questions

1. What is the main role of the Board?
2. What should the role of the Board be moving forward?
3. Who comprises the Board? What entity or who should be represented on the Board?
4. How long are Board terms? Are there term limits?
5. How does the Board interact with municipalities?
6. Describe the working relationship with DCA, including engagement and communication.
7. Does the Board provide technical assistance to UEZs through the DCA?
8. What are the key economic challenges facing the State's urban areas?

Stakeholder Questions

1. What are the specific economic challenges in your District/Municipality?
2. What are the key indicators or metrics that should be used to measure economic development success?
3. How has the Urban Enterprise Zone Program helped address these challenges across the State?
4. Is the UEZ program more effective now than it was in 2011?
5. What part of the 2011 changes was most helpful or harmful? e.g., the end of Zone Assistance Funds and the streamlining of the application process?
6. How has the UEZ Program helped address these challenges within your District/Municipality?
7. What are the UEZ Program's weaknesses?
8. What other economic development programs have been used in your District/Municipality?
9. How do these programs compare with the UEZ in terms of effectiveness?
10. How could the UEZ Program be improved to better address the economic challenges of the State and your District/Municipality?
11. What other programs have been effective in supporting economic growth in your District/Municipality?
12. How do these tools compare to UEZ in terms of effectiveness?

13. Are there examples of other place-based growth strategies, either in the region or other states that New Jersey should consider to improve economic competitiveness?
14. Do you have any additional comments?

APPENDIX F:
SUPPLEMENTAL UEZ SURVEY QUESTIONS

1. Indicate whether or not you believe that the process by which UEZs are delineated and mapped is appropriate. What are the strengths of the current process and if applicable what are the weaknesses or possible ways to improve the mapping process.
2. Please provide data on investments in your city in which UEZ funds were utilized.
3. What fiduciary controls are utilized by your zone assistance corporations or municipality to manage UEZ funds?
- 4A. Please share information on the diversity of your UEZ investment portfolio (types of projects and size of projects).
- 4B. What is your investment strategy?

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APPENDIX H:
SAMPLE APPLICATIONS

Certification Application

IMPORTANT: This form can be completed online using the State of New Jersey [Premier Business Services](#) (PBS). For help registering for PBS, use [Getting Started with Premier Business Services](#) on the UEZ website.

I. Zone Business Information Refer to the [Certification Instructions](#) (Annual Reporting Form section) and follow the [Program Procedures](#) when completing this Form.

1. NJ Taxpayer ID# * _____
2. Legal Company Name * _____
3. Name at UEZ Location * _____
4. UEZ Business Location Address * _____
5. Unit# _____ 6. Block # * _____ Lot # * _____
7. City * _____ 8. State * NJ 9. Zip * _____

10. Responsible Officer * Mr., Mrs., Ms. _____ First * _____ MI _____ Last * _____
11. Title * _____ 12. Phone * _____
13. Fax _____ 14. E-mail * _____

15. Mailing Address (if different) _____ Same as Business Location
16. City _____ 17. State _____ 18. Zip _____

19. Nature of Business * _____

20. NAICS Code * _____

21. SIC Code * _____

22. This UEZ business established as a/an * Expansion Relocation New Business Change of Ownership Existing Business
- Previous/original location (Expansion/Relocation only) City _____ State _____

23. Is 51% or more of business owned by a Minority Woman Sole Proprietorship Limited Partnership Limited Liability Company
24. Business Type * Corporation Partnership Joint Venture

See [Certification Instructions](#) for definitions of Women and Minority Owned business classification.

II. Employee Data

(Refer to the [Program Procedures](#) for additional details.)

Employment Requirements:

- 0 - 5 current full-time employees – not required to hire additional employees
- 6 - 10 current full-time employees – must hire one part-time employee
- 11 - 49 current full-time employees – must hire one full-time or two part-time employees
- 50 or more current full-time employees – must hire one full-time employee

25. Current number of employees *	(Use Employee Data Workbook)	Full Time	Part Time
26. Total number of employees anticipated by end of third year in UEZ Program *		_____	_____

III. Estimated Capital Investment Projections

(for three year certification period)

27. Total Estimated Dollar Amount/Projected Investment * (use [Capital Investment Workbook](#)) \$ _____

IV. Reduced Rate Tax Eligibility

(Refer to the [Ineligible Transaction Listings](#) for additional details.)

28. Do you want to participate in the reduced sales tax collection program? * Yes No
29. Do you **primarily** operate a catalog, mail, telephone, fax, or internet order business at your UEZ location? * Yes No
30. Do you operate a **retail store** at your UEZ location where you regularly conduct **retail sales of tangible personal property, exhibit** such items for sale, and maintain an **inventory** of such items for sale? * Yes No

YOU MAY NOT USE any UEZ benefits until you have valid qualification and tax documents from UEZ and the Division of Revenue in your possession.

V. Terms and Conditions

The business listed on this application must be a “qualified business” and be in full tax compliance with the State of New Jersey (State) before any certification, recertification, or continuation of eligibility in the Urban Enterprise Zone (UEZ) program, and/or participation in a NJUEZ incentive or loan program is authorized. A qualified business is any entity authorized to do business in the State which is engaged in the active conduct of a trade or business in an Urban Enterprise Zone.

* I consent to the release of information by the State Division of Taxation, the Urban Enterprise Zone Authority (within the New Jersey Department of Community Affairs), and the State Division of Revenue. This consent is limited to the business’s tax compliance status during the application, reporting process, renewal process, and program participation.

* I certify the above to be true, correct, and complete, that the creation of jobs at this location will not result in unemployment in other areas of the State and **I agree to meet the “25% Employment Factor”** if applicable. (See [Program Procedures](#).)

Responsible Officer Name *

Please Print

Responsible Officer Signature *

* Date

Annual Reporting Form

IMPORTANT: This form can be completed online using the State of New Jersey [Premier Business Services](#) (PBS). For help registering for PBS, use [Getting Started with Premier Business Services](#) on the UEZ website.

I. Zone Business Information

Refer to the [Certification Instructions](#) (Annual Reporting Form section) and follow the [Program Procedures](#) when completing this Form.

1. NJ Taxpayer ID# * _____

2. Legal Company Name * _____

3. Name at UEZ Location * _____

4. UEZ Business Location Address * _____

5. Unit# _____ 6. Block # * _____ Lot # * _____

7. City * _____ 8. State * _____ NJ _____ 9. Zip * _____

10. Responsible Officer Mr., Mrs., Ms. _____ First * _____ MI _____ Last * _____

11. Title * _____ 12. Phone * _____

13. Fax _____ 14. E-mail * _____

15. Mailing Address (if different) _____ Same as Business Location

16. City _____ 17. State _____ 18. Zip _____

19. Nature of Business * _____

20. NAICS Code * _____

21. SIC Code * _____

22. Minority Owned? Yes No 23. Woman Owned? Yes No

24. Business Type * Corporation Sole Proprietorship Partnership Limited Partnership Joint Venture Limited Liability Company

II. Employee Data

(Refer to the [Program Procedures](#) for additional details.)

Full Time Part Time

- 25. Number of Employees at Start Date * (Use [Employee Data Workbook](#)) _____
- 26. Current number of employees * _____
- 27. Total projected employees next Program year * _____

III. Capital Investments

(use [Capital Investment Workbook](#))

Round all amounts entered to the nearest dollar

- 28. Total **actual** capital investments made during the past program year _____
- 29. Total **projected** capital investments for the next program year _____
- 30. UZ-4 Total Tax Exempt Purchases Made during the Past Program Year* _____
- 31. UZ-5 Total tax exempt **purchases** made during the past program year* _____

IV. Reduced Rate Tax Eligibility

(Refer to the [Ineligible Transaction Listinas](#) for additional details.)

- 32. Do you want to participate in the reduced sales tax collection program? * Yes No
- 33. Do you **primarily** operate a catalog, mail, telephone, fax, or internet order business at your UEZ location? * Yes No
- 34. Do you operate a **retail store** at your UEZ location where you regularly conduct **retail sales of tangible personal property, exhibit** such items for sale, and maintain an **inventory** of such items for sale? * Yes No

YOU MAY NOT USE any UEZ benefits until you have valid qualification and tax documents from UEZ and the Division of Revenue in your possession.

V. Terms and Conditions

The business listed on this application must be a "qualified business" and be in full tax compliance with the State of New Jersey (State) before any certification, recertification, or continuation of eligibility in the Urban Enterprise Zone (UEZ) program, and/or participation in a NUUEZ incentive or loan program is authorized. A qualified business is any entity authorized to do business in the State which is engaged in the active conduct of a trade or business in an Urban Enterprise Zone.

- * I consent to the release of information by the State Division of Taxation, the Urban Enterprise Zone Authority (within the New Jersey Department of Community Affairs), and the State Division of Revenue. This consent is limited to the business's tax compliance status during the application, reporting process, renewal process, and program participation.
- * I certify the above to be true, correct, and complete, that the creation of jobs at this location will not result in unemployment in other areas of the State and I agree to meet the "25% Employment Factor" if applicable. (See [Program Procedures](#).)

Responsible Officer Name* _____

Please Print

Responsible Officer Signature* _____ * Date _____

Recertification Application

IMPORTANT: This form can be completed online using the State of New Jersey [Premier Business Services \(PBS\)](#). For help registering for PBS, use [Getting Started with Premier Business Services](#) on the UEZ website.

File Number _____ Permit Number _____ Certification Date _____ Recertification Period _____

I. Zone Business Information

Refer to the [Recertification Instructions](#) and follow the [Program Procedures](#) when completing this Form.

- 1. NJ Taxpayer ID# * _____
- 2. Legal Company Name * _____
- 3. Name at UEZ Location * _____
- 4. UEZ Business Location Address * _____
- 5. Unit# _____
- 6. Block # * _____
- 7. City * _____
- 8. State * _____
- 9. Zip * _____
- Lot # * _____

10. Responsible Officer Mr., Mrs., Ms. _____ First * _____ MI _____ Last * _____
11. Title* _____ 12. Phone * _____
13. Fax _____ 14. E-mail * _____

15. Mailing Address (if different) _____ Same as Business Location
16. City _____ 17. State _____ 18. Zip _____

- 19. Nature of Business * _____
- 20. NAICS Code * _____
- 21. SIC Code * _____
- 22. Minority Owned? Yes No
- 23. Woman Owned? Yes No
- 24. Business Type *
 - Corporation
 - Partnership
 - Joint Venture
 - Sole Proprietorship
 - Limited Partnership
 - Limited Liability Company

II. Employee Data

(Refer to the [Program Procedures](#) for additional details.)

(Use [Recertification Employee Workbook](#))

- | | | | | | |
|---|-------|-----------|-------|-----------|-------|
| 25. Number of Employees at Start Date * | _____ | Full Time | _____ | Part Time | _____ |
| Original 3-year Employment Projection * | _____ | | _____ | | _____ |
| 26. Current number of employees * | _____ | | _____ | | _____ |
| 27. Total projected employees next Program year * | _____ | | _____ | | _____ |

Employee Data: 25% Factor Requirement Section

(Use [25% Factor Workbook](#))

28. Number of new hires (since original Certification) who are:

Residents of a zone or a zone's municipality

-or- NJ residents unemployed for at least six months prior to being hired

-or- Recipients of New Jersey public assistance programs for at least six months prior to being hired

-or- Determined to be low-income individuals pursuant to the Workforce Investment Act of 1998

(Refer to the [Program Procedures](#) for more information on the 25% Factor requirement)

III. Capital Investments

(Use [Capital Investment Workbook](#))

Round all amounts entered to the nearest dollar.

- Original 3-year capital Investment Projection \$ _____
29. Total **actual** capital investments made during the past program year * \$ _____
30. Total **projected** capital investments for the next program year * \$ _____
31. UZ-4 Total tax exempt **purchases** made during the Past Program Year* \$ _____
32. UZ-5 Total tax exempt **purchases** made during the Past Program year* \$ _____
- UZ-4 tax savings (question 31 amount x .07) \$ _____
- UZ-5 tax savings (question 32 amount x .07) \$ _____

IV. Reduced Rate Tax Eligibility

(Refer to the [Ineligible Transactions List](#) for additional details.)

33. Do you want to continue to participate in the reduced sales tax collection program? * Yes No
34. Do you **primarily** operate a catalog, mail, telephone, fax, or internet order business at your UEZ location? * Yes No
35. Do you operate a **retail store** at your UEZ location where you regularly conduct **retail sales of tangible personal property**, exhibit such items for sale, and maintain an **inventory** of such items for sale? * Yes No

For additional help, refer to the [Recertification Instructions](#) and [Program Procedures](#).

If the current number of employees entered in question 26 does not meet the UEZ Program's Increased Employment requirement—

-and/or-

If the number of new hires that meet the 25% factor eligibility entered in question 28 does not meet the UEZ Program's 25% Factor requirement—

Select one of the options below:

- I am requesting an extension of my Certification period to allow me to meet the UEZ Program requirements. Please have a UEZ representative contact me and explain the available options that might allow my business to continue participating in the UEZ Program.
- I am waiving my option to explore the available options that might allow my business to continue participating in the UEZ Program. I understand that my UEZ eligibility will be inactivated and I will no longer qualify for UEZ Program benefits.

V. Terms and Conditions

- * I consent to the release of information by the State Division of Taxation, the Urban Enterprise Zone Authority (within the New Jersey Department of Community Affairs), and the State Division of Revenue. This consent is limited to the business's tax compliance status during the application, reporting process, renewal process, and program participation.
- * I certify the above to be true, correct, and complete, that the creation of jobs at this location will not result in unemployment in other areas of the State and I agree to meet the "25% Employment Factor" if applicable. (See [Program Procedures](#).)

Responsible Officer Name *

_____ Please Print

Responsible Officer Signature *

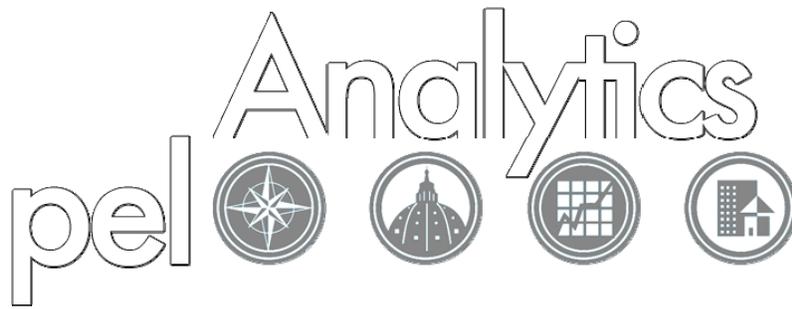
_____ * Date

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