



American Planning Association
New Jersey Chapter

Making Great Communities Happen

March 1, 2021

Assembly Speaker Coughlin, Senate President Sweeney, Assemblyman Houghtaling, Senator Singleton:

On behalf of 1,100 members of the New Jersey Chapter of the American Planning Association (“APA New Jersey”), I write to you regarding Assembly Committee Substitute (“ACS”) [1571/1576](#). This legislation would impose [prevailing wage requirements](#) for public work on properties receiving tax abatements or exemptions. **We have serious concerns about the negative effects this legislation would have on redevelopment in our state and the multitude of unintended consequences that are very likely to occur.**

For decades, municipalities throughout New Jersey have successfully redeveloped their distressed areas using the tools provided by the Local Redevelopment and Housing Law. The role of professional planners is to guide municipalities through the community outreach, visioning and consensus building that are fundamental to creating a redevelopment plan that aligns with community goals, municipal master plans and meets the legal requirements for designating an area in need of rehabilitation and/or redevelopment.

Once that foundation is set, the single most powerful financial tool available to municipalities to attract a redeveloper are tax incentives frequently referred to as PILOTs (“Payments in Lieu of Taxes”). These tax incentives are essential to redevelopment because:

- They **encourage developers to accept the substantial risks** and additional costs that come with most projects, including unknown markets, demolition, environmental remediation, and parking.
- They enable municipalities to negotiate with a redeveloper for much needed **infrastructure improvements and community benefits that would otherwise not be economically feasible**, such as water and sewer upgrades, bicycle and pedestrian safety improvements, streetscape beautification, improved or new parks and open space, community centers, and other resident-centric priorities.
- They help towns address the state’s **affordable housing crisis by filling the funding gap** associated with renting or selling residential units below market rate serving very low-, low- and moderate-income individuals and families. Hundreds of affordable housing settlements are coming through the courts right now, many of which use tax incentives to achieve economic feasibility. It is critical that New Jersey increase its affordable housing output both to stay economically competitive in the region and to address long standing inequities in access to quality, affordable housing.

By statute, such incentives should only be provided to developers who can substantiate that the project could not be completed without a tax abatement or exemption. These projects are audited annually and comply with statutory provisions of the legislature regarding excess profits. The effect of ACS 1571/1576 would be to increase the already-high cost of project construction by as much as 20 to 30 percent. Extremely large-scale construction projects in high market value locations may be able to absorb these costs. But for smaller scale projects using only local incentives, **the alternative is to increase/extend the tax benefit resulting in less revenue to local taxpayers, increase the permitted scale/density of development or eliminate infrastructure upgrades and other community benefits.** For short-term tax abatements intended for rehabilitation purposes, the added cost of this legislation would essentially eliminate the benefit of the tax incentive all together and result in the need for a long-term tax abatement.

As planners, it is our job to help local governments, developers, and community members consider and utilize the physical, social and economic elements of a project or plan to create communities that offer better and more equitable choices for how people work and live. **Redevelopment is an essential tool in the toolbox – one that has been finely calibrated through decades of experience. *Let there be no mistake, ACS 1571/1576 would throw it completely out of balance.***

Since the legislation was introduced in late January, the communities we serve have voiced their concerns to us, and many towns have begun the process of analyzing the challenges of implementing this legislation, including but not limited to impacts on economic recovery, impacts on job creation and affordable housing settlements, and impacts on municipal revenue. Not to mention the time-consuming and costly undertaking of reassembling working groups, advisory boards, redevelopment agencies and professional staff required to re-introduce and/or amend plans, redevelopers agreements and financial agreements that have already been approved but don't have a shovel in the ground.

Before you take action on this legislation, **we urge you to speak with mayors whose towns have benefitted from the state's redevelopment process, as well as their professional staff.** We are keenly aware that local officials have been reaching out to their legislators and the Governor's Office. They will be able to provide you with concrete examples of the financial agreements they negotiated with their designated redevelopers and how this legislation would have affected those agreements. We would also urge you to consider undertaking an economic impact analysis of this legislation and its effect on the post-COVID-19 economic recovery of our state and its hard-hit communities.

For all the reasons above along with the many questions that have not been considered or answered, we cannot support ACS 1571/1576.

Thank you for your consideration. Please feel free to contact us regarding any technical expertise related to land use, redevelopment designations and plans, and the subsequent financial negotiations that take place in our New Jersey communities.

Sincerely,



Charles W. Latini, Jr., AICP/PP
President, APA New Jersey

c: Governor Phil Murphy
Senator Madden, Chair, Senate Labor Committee
Assemblyman Burzichelli, Chair, Assembly Appropriations Committee
New Jersey League of Municipalities
Joe Kelley, Deputy Chief of Staff for Economic Development, Office of the Governor
Zakiya Smith-Ellis, Chief Policy Advisor, Office of the Governor