

First Look: The New Jersey Economic Recovery Act of 2020

Client Alert

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By: [Steven G. Mlenak](#)

On January 7, 2021, New Jersey Governor Phil Murphy signed into law the New Jersey Economic Recovery Act of 2020, a long-awaited package of incentive programs intended to encourage New Jersey job growth, property development and redevelopment, community partnerships, and numerous other policies. The omnibus piece of legislation marks the most significant action taken by the state's government to foster economic growth and recovery since Governor Murphy took office.

At nearly 250 pages, the Act is a complex piece of legislation that creates or modifies more than a dozen different incentive programs. With comprehensive regulations expected to be promulgated by the New Jersey Economic Development Authority (EDA) in furtherance of the Act, business owners, property owners, entrepreneurs, redevelopers, and brokers should consult with their legal counsel to determine whether any of the programs established under the Act could assist their projects and business objectives.

Going forward, our firm will be providing additional legal analyses related to the resources and potential opportunities offered under this transformative piece of legislation. This Alert serves as an initial overview of new programs created by the Act, as follows:

New Jersey Aspire Program Act. This program provides tax credits to redevelopers to cover certain project financing gap costs. Together with the Emerge Program Act, \$1.1 billion has been allocated for programs less than \$100,000,000 in value. Projects in excess of that value are considered "transformative" and are subject to an overall \$2.5 billion cap.

Emerge Program Act. This program provides tax credits to encourage economic development, job creation and the retention of significant numbers of jobs in imminent danger of leaving New Jersey.

Historic Property Reinvestment Act. This program provides tax credits for a portion of the cost of rehabilitating historic properties. The program is capped at \$50 million annually over a six-year period.

Brownfields Redevelopment Incentive Program Act. This program provides tax credits to reimburse redevelopers for remediation costs related to projects located on brownfield sites. Approximately \$50 million in annual tax credits over a six-year period are available to developers under this program.

New Jersey Community-Anchored Development Act. This program provides tax credits to "anchor institutions" to incentivize the expansion of targeted industries in certain areas of New Jersey. Anchor institutions include those in education, healthcare, culture, community development and economic development. Up to \$200 million annually will be made available to such institutions to incentivize targeted development.

Food Desert Relief Act. This program provides tax credits, grants, and/or loans to businesses that establish and retain new supermarkets/grocery stores in areas determined to be a "food desert community." Tax credits up to \$40 million annually for six years are made available.

New Jersey Innovation Evergreen Act. This program allows qualified venture firms to purchase tax credits for cash at an auction, which may then be used to invest in innovation programs designed to advance the competitiveness of the state. Up to \$60 million annually for six years has been allocated.

Main Street Recovery Finance Program Act. This program provides grants, loans, and loan guarantees to small businesses. Approximately \$50 million has been allocated to assist such small businesses initially.

New Jersey Ignite Act. This program provides grants for start-up rents to collaborative workspaces to support the early months of an early-stage innovation business.

Personal Protective Equipment Program. This program provides tax credits to qualified facilities manufacturing personal protective equipment (PPE). Up to \$10 million annually for three years has been appropriated.

Film Tax Credit. An additional \$200 million in tax credits have been appropriated for the existing film tax credit program over the next thirteen years.

Angel Investor Tax Credit Act. Amendments to this existing Act include adding a new classification for minority- and women-owned businesses and expanding the tax credit to up to \$35 million annually.

Economic Recovery and Growth Grant Program. This existing program was expanded with an additional \$220 million in tax credits.

The new legislation also encompasses the **Economic Development Authority Integrity and Protection Act**, which creates the Office of the Economic Development Inspector General. The Inspector General will be independent from the EDA and appointed by the Governor and confirmed by the Senate and will have extensive powers to investigate fraud and abuse in any of the programs under the Act.

The Act further provides many amendments to existing state statutes dealing with issues such as "entrepreneur zones," offshore wind innovation, and biotechnology financing.

The New Jersey Economic Recovery Act of 2020 represents valuable opportunities for businesses, property owners and entrepreneurs in New Jersey, as well as those looking to relocate to New Jersey from out of state.

Please contact the author of this Alert, **Steven G. Mlenak** smlenak@greenbaumlaw.com | 732.476.2526 for additional information or to discuss your specific business circumstances.

Related Attorneys



Steven G. Mlenak

Partner

732.476.2526

Email