

November 16, 2018

Forward Thinking: Gov. Murphy's Plan to Make New Jersey the State of Innovation

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In October of 2018, New Jersey Governor Phil Murphy unveiled a fifty-five page economic development plan which, as its title suggests, is intended to make New Jersey the '[State of Innovation](#).' Governor Murphy's strategy identifies four initiatives that, collectively, hope to stimulate the growth of cutting edge industries in the State. While Murphy's strategy depends on the Legislature enacting laws to implement the policies Murphy proposes, the Governor outlined five specific goals by which to measure the strategy's economic success by 2025:

- (1) added/creating 300,000 new jobs;
- (2) increasing median wage growth by 4% or \$1,500 on average;
- (3) increasing venture capital investment to \$645 million, double its current rate;
- (4) adding 40,000 more women and minorities working in STEM-related jobs; and
- (5) increasing average annual wages of women and minorities by at least \$15,000.

Murphy's **NJ Accelerate** initiative proposes to improve New Jersey's business climate by streamlining permitting processes and offering small business loans through the Economic Development Authority (EDA). The **NJ Talent** initiative looks to foster a workforce that meets the needs of New Jersey's staple industries as well as those it intends to grow. Specifically, this statewide professional development initiative proposes to raise the minimum wage to \$15 an hour, expand the Earned Income Tax Credit, enact a Child and Dependent Care Tax Credit, expand access to free community college, implement STEM loan forgiveness, and commit resources to the State's Apprenticeship Network and Career Network. Under the **NJ Communities** and **NJ Innovate** initiatives, Murphy plans to shore up the State's mass transit infrastructure, redesign soon-to-expire State incentive programs to encourage redevelopment projects in targeted "Opportunity Zones" and attract venture capital investment with the creation of the **New Jersey**

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Innovation Evergreen Fund (NJIEF) which will partner with the private sector to raise and co-invest funds in New Jersey-based startups.

With respect to its proposed overhaul of the State's tax incentive programs, Murphy's economic plan is a collage of existing policies infused with new approaches. The Governor proposes to modify two of New Jersey's major existing tax credit programs – the Grow New Jersey (“Grow NJ”) Program and the Economic Redevelopment & Growth (“ERG”) Program – which award approximately \$1 billion annually in incentives. Described by Murphy as unfocused and inefficient, these programs will be replaced by programs that, in contrast to their predecessors, (1) cap tax breaks awarded thereunder at an annual amount less than \$1 billion, and (2) shift the programs' focus from individual businesses to specific industry sectors.

Currently, the ERG Program incentivizes developers and businesses to address revenue gaps in development projects, and projects that have a below market development margin or rate of return. The ERG Program, under Murphy's plan, would be replaced by the **NJ Aspire** program to provide gap-based financing to commercial, residential and mixed-use projects – with a particular focus on cities, downtowns and suburban neighborhoods served by mass transit – as well as new projects that convert vacant lots into useful developments. The mission of the present Grow NJ program is to strengthen New Jersey's competitive marketplace by rewarding businesses that create or retain jobs in New Jersey with annual tax credits per job saved/retained. Murphy intends to replace Grow NJ with the **NJ Forward Tax Credit** program that incentivizes high-wage, high-growth sectors, prioritizes new job creation over job retention, particularly those in urban centers, and reduces the amount of tax credit awarded.

Another component of Murphy's plan is the creation of a series of transit-connected innovation centers that provide affordable commercial space for entrepreneurs. The first of these commercial centers will be located in New Brunswick. “**The Hub**,” as it's called, is being developed by DEVCO in partnership with Rutgers and is expected to provide more than 4 million square feet of mixed-used space at full build-out and will support research, experimentation, and commercialization through targeted programs to spur the growth of startups and drive innovations for established corporations. Murphy also intends to create the **Wind Innovation & New Development** (WIND) **Institute** which will leverage the State's academic and workforce assets to develop a strong offshore wind energy industry and ensure that New Jersey accomplishes its goal of being 100% clean energy-based by 2050.

The common thread of Murphy's master plan is a strategic focus on priming the State's economy and workforce to play a leading role in new, emerging and innovative industries such as clean energy, food and beverage, life sciences, insurance, financial and information technology, digital media, cybersecurity and advanced manufacturing, transportation and logistics, among others. As exciting as it may sound, however, Murphy's plan is only conceptual at this point. The specifics

of these proposals have yet to be determined and will largely depend on cooperation from the State Legislature. Nevertheless, Murphy's master plan is a clear indication as to the direction in which the Governor's administration intends to lead this State and its economy.

Schenck Price has secured tax credit incentives for clients worth millions of dollars in New Jersey and states across the country. Please contact us for additional information as to how we can assist your business take advantage of these offerings.

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