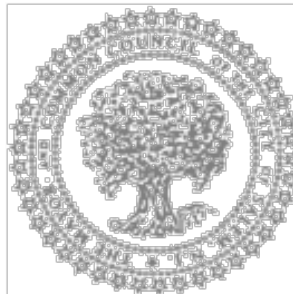


# NJ SRN City of Salem Final Report

December 2018



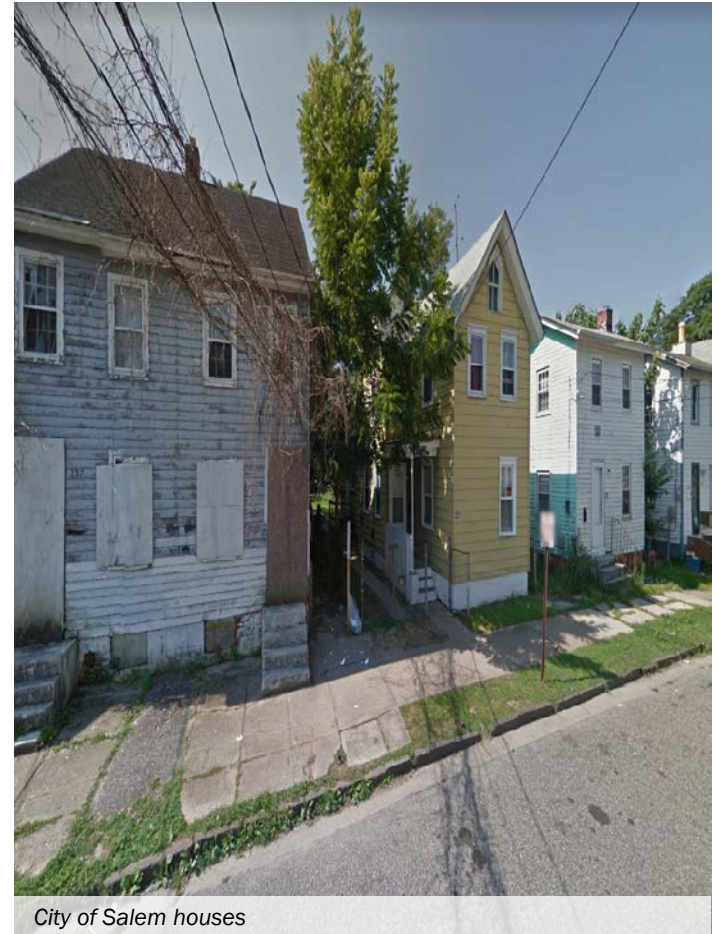
# What is the New Jersey SRN?

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- In 2018, the State of New Jersey's Department of Community Affairs (DCA) and the National Resource Network jointly launched the New Jersey State Resource Network (NJ SRN).
- This collaborative effort is designed to increase participating cities' long-term financial planning and economic competitiveness.
- The NJ SRN targets smaller communities that typically lack the capacity and support to develop fiscal and economic strategies on their own.
- New Jersey is among the first states to invest in such a partnership, leveraging philanthropic, state and local funds to deliver customized and cross-cutting technical assistance to its cities.

# National Resource Network

- The Network proposed – and the State and City concurred – that a coordinated engagement is needed to leverage Salem’s existing assets in order to start attacking the devastating poverty and job challenges that undercut the City’s budget and long-term sustainability.
  - PFM developed a **multi-year financial plan** that outlines strategies for Salem to achieve budget and operational sustainability, while also freeing up additional resources for investment in economic development.
  - HR&A created an **economic development action plan** that to help Salem leverage its promising assets to become more economically competitive and self-sufficient.
- The success of each individual intervention depends on the success of the other.



# Why Salem Matters:

## *The Past*

- Laid out in 1675, Salem predates Philadelphia by 7 years. It has been the site of military skirmishes in the American Revolution, and an important stop on the Underground Railroad.
- The City of Salem's rich history is unique and should be preserved.
- In addition, the City of Salem is the County seat, meaning that what happens in Salem has the ability to for regional and state-wide impact.



Goodwin House – Underground Railroad Station, 47 New Market Street



The Salem Oak



# Why Salem Matters:

## *The Present*

- Salem's residents require a robust investment in the community's future to create opportunities.
- Without this investment, many residents are likely to remain isolated from employment and caught in a cycle of poverty.
- Salem's future will be determined by the actions it takes now. Its next generation – and the mere sustainability of the City – relies on the City and its partners coming together to make hard choices to honor its history and secure its future.



# Why Salem Matters:

## *The Future*

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- Cities are the heart and engine of their surrounding regions. Without a strong and vibrant Salem, Salem County cannot truly thrive.
- Although the recommendations described in this report will require difficult decisions from the City's leadership, residents, and community, taking these actions will help to ensure that the City does not become a permanent ward of the State, but instead – with its partners – begins a new path with opportunities to grow its economic and financial competitiveness.







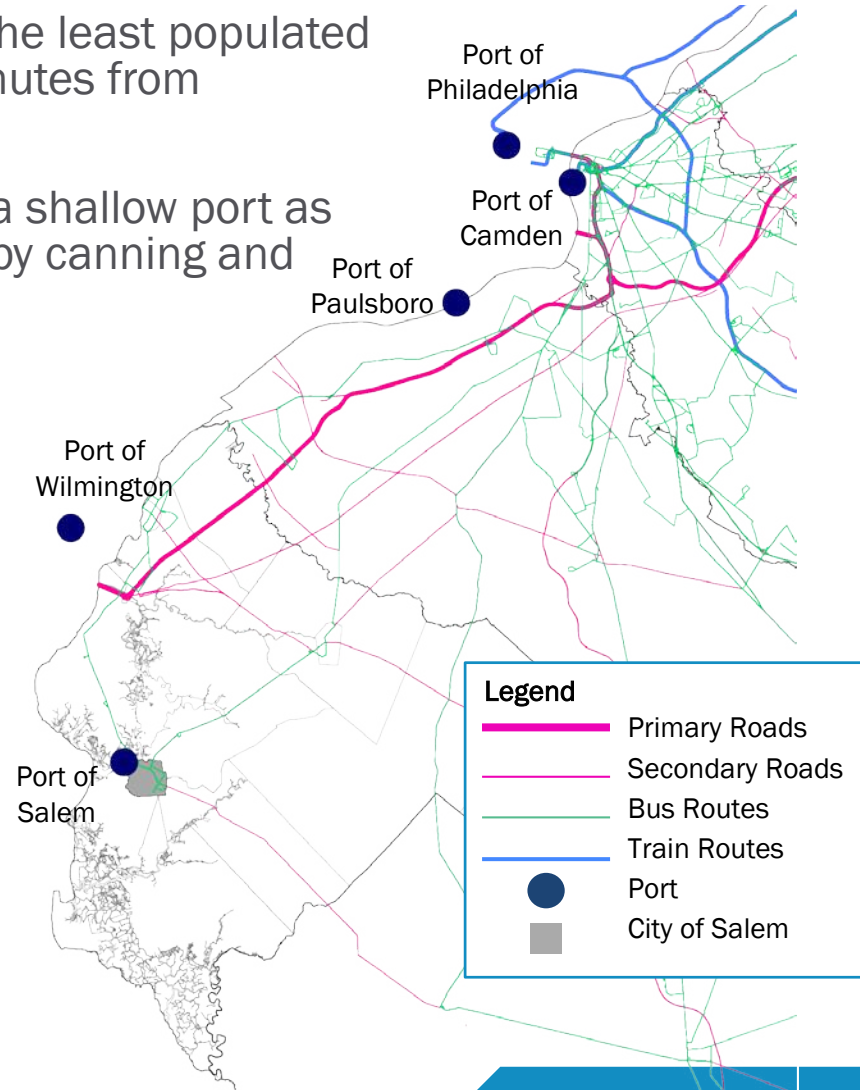
# **Salem's Financial and Economic Conditions**

# History of Salem

- Salem is the County seat of Salem County, the least populated and most rural county in New Jersey, 30 minutes from Wilmington.
- Laid out in 1675, Salem developed around a shallow port as an agriculture processing center, anchored by canning and glass bottle manufacturers.
- Changes to the shipping industry and the loss of industry throughout the 20<sup>th</sup> century has resulted in challenges with population loss, residential and commercial vacancies, and concentrations of poverty.



Downtown Salem, NJ





# Salem's Significant Challenges

- The City of Salem is facing a number of daunting challenges.
- Structural revenue levels are too low to sustain basic municipal operations inducing a systematic reliance on state transitional aid.
- Additionally, a deteriorating employment base has led to declining wealth, concentrated poverty, high foreclosure rates, property abandonment, and even more fiscal instability.
- Salem's immediate and critical challenges are very stark and incredibly advanced.

**\$26K**

Median Household Income

**43%**

Poverty Rate

**20%**

Unemployment Rate

**23%**

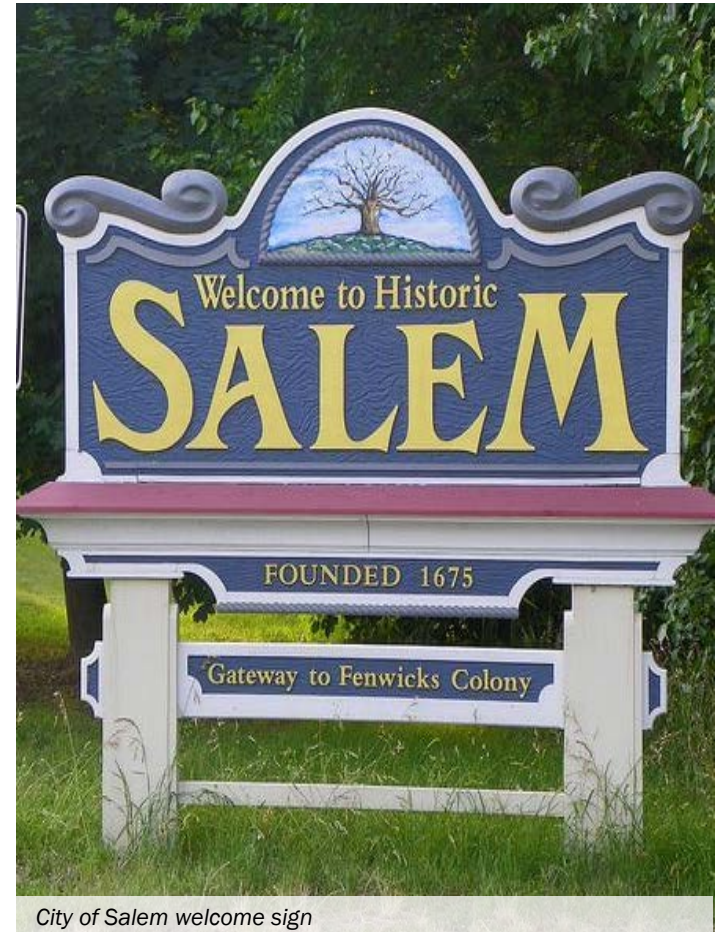
No Vehicle Access

**11.4%**

Population Decline in  
last Decade

**96.2**

MRI Score of Distress  
(Out of Possible 100)



City of Salem welcome sign

# Salem In Context

- Five benchmark municipalities in Cumberland, Gloucester, and Salem counties were identified and used for comparative analysis.
- Of the comparative local governments, Salem experienced the largest population decline from 2010 to 2016.

Municipalities	2016 Population	2010 - 2016 Population Change
Millville, NJ	28,399	0.9%
Bridgeton, NJ	25,209	0.7%
Woodbury, NJ	10,024	(2.5%)
Paulsboro, NJ	6,009	(2.6%)
Penns Grove, NJ	4,985	(2.6%)
Salem, NJ	4,931	(6.8%)
Salem's Rank	6 of 6	6 of 6
Median (excl. Salem)	10,024	-2.5%

Source: U.S. Census Bureau, 2016 American Community Survey 5-Year Estimates

# Salem In Context

## Income

Municipalities	Median Household Income
Woodbury, NJ	\$51,810
Millville, NJ	\$48,892
Paulsboro, NJ	\$42,154
Bridgeton, NJ	\$35,417
Penns Grove, NJ	\$34,439
Salem, NJ	\$26,419
Salem's Rank	6 of 6
Median (excl. Salem)	\$42,154

Municipalities	Per Capita Income
Woodbury, NJ	\$28,359
Millville, NJ	\$24,804
Paulsboro, NJ	\$22,729
Salem, NJ	\$18,626
Penns Grove, NJ	\$15,956
Bridgeton, NJ	\$13,811
Salem's Rank	4 of 6
Median (excl. Salem)	\$22,729

***Salem's median household income and per capita income are below average relative to comparative cities.***

Source: U.S. Census Bureau, 2016 American Community Survey 5-Year Estimates



# Salem In Context

## *Poverty & Unemployment*

Municipalities	Poverty Rate
Millville, NJ	18.0%
Woodbury, NJ	20.3%
Paulsboro, NJ	29.2%
Penns Grove, NJ	29.9%
Bridgeton, NJ	30.4%
Salem, NJ	42.5%
Salem's Rank	1 of 6
Median (excl. Salem)	29.2%

Municipalities	Unemployment Rate
Woodbury, NJ	10.4%
Bridgeton, NJ	11.8%
Millville, NJ	12.2%
Paulsboro, NJ	15.4%
Penns Grove, NJ	19.3%
Salem, NJ	20.2%
Salem's Rank	1 of 6
Median (excl. Salem)	12.2%

***Salem's poverty and unemployment rates are significantly higher than the benchmark median and are the highest in the comparison group.***

Source: U.S. Census Bureau, 2016 American Community Survey 5-Year Estimates; Bureau of Labor Statistics

# Salem In Context

## Home Values

Comparative Local Government	Median Home Value
Woodbury, NJ	\$161,600
Millville, NJ	\$160,200
Paulsboro, NJ	\$122,800
Penns Grove, NJ	\$114,700
Bridgeton, NJ	\$108,500
Salem, NJ	\$96,600*
Salem's Rank	6 of 6
Median (excl. Salem)	\$122,800

*\*Since the 2016 ACS, a 2017 revaluation of Salem's property values lowered the average home value to \$45,740, as reported in Salem's 2018 Transitional Aid Application.*

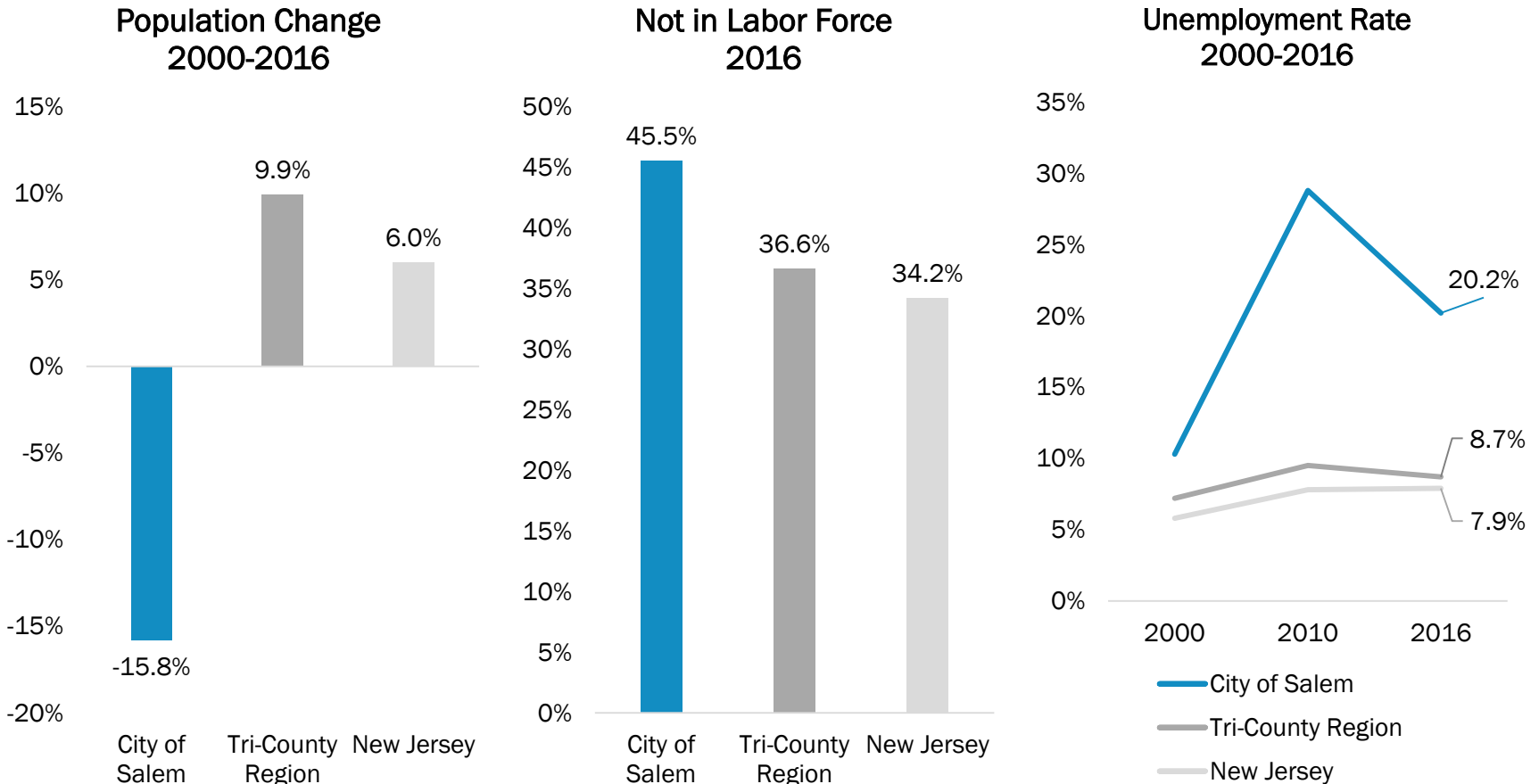
***Salem's median home values are significantly below average for benchmark communities. This limits property tax receipts as well as attractiveness to retailers.***

Source: U.S. Census Bureau, 2016 American Community Survey 5-Year Estimates

# Salem In Context

## *Socioeconomic/Demographics*

Salem is experiencing sustained population decline, low labor force participation rates, and elevated rates of unemployment in comparison to the region and state.



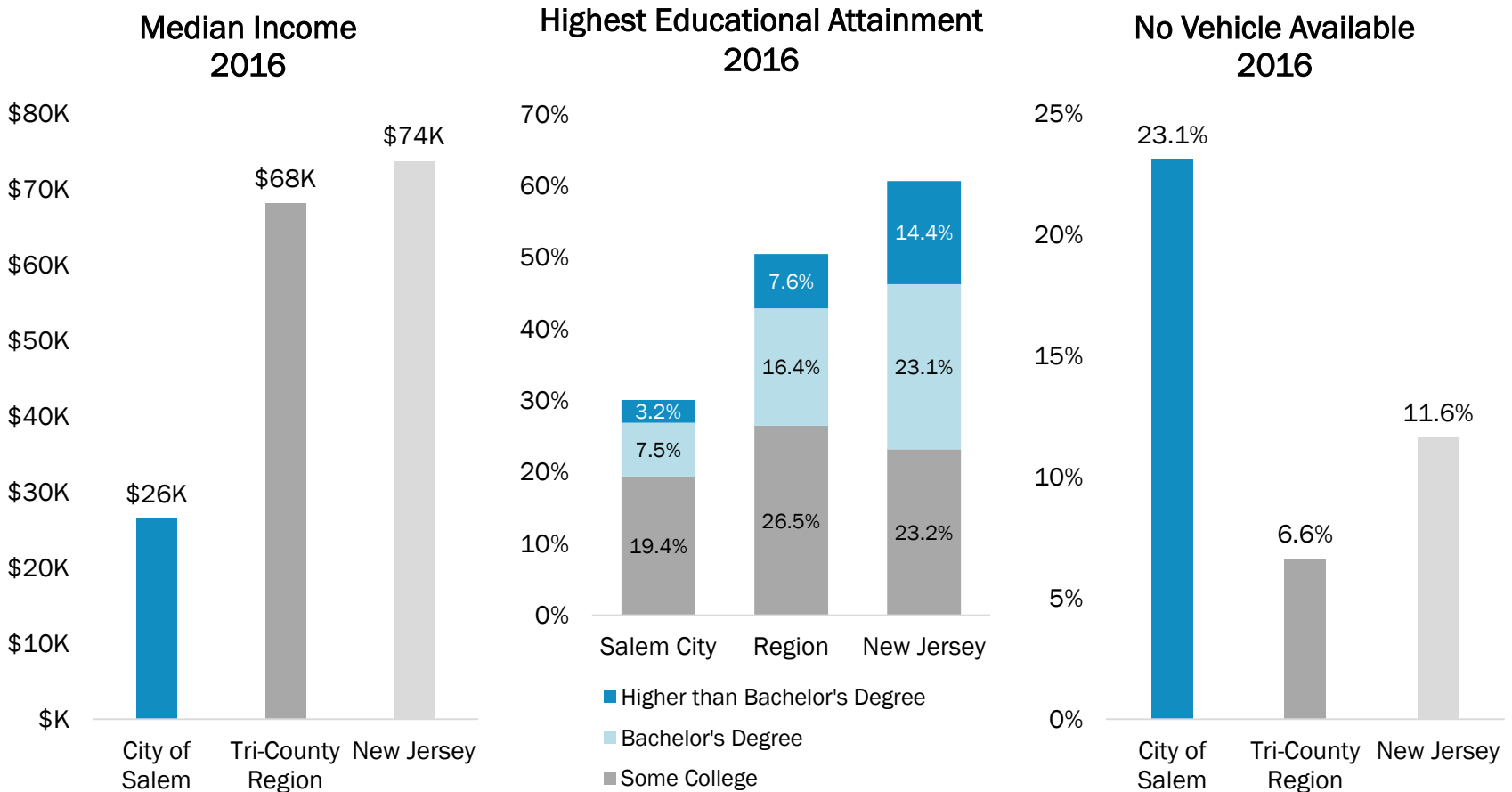
Source: ESRI, ACS 2012-2016, ACS 2006-2010, US Decennial Census 2000



# Salem In Context

## *Socioeconomic/Demographics*

Salem's population has lower incomes, lower education levels, and lower vehicle ownership (access) than the region or state.



Source: ESRI, ACS 2012-2016, ACS 2006-2010, US Decennial Census 2000

# Salem In Context

## *Existing Economic Conditions*

Industries that form the base of Salem County's economy are declining. Local government, chemical manufacturing and power generation still command a large share of current employment, but experienced massive job losses since their historic peaks.

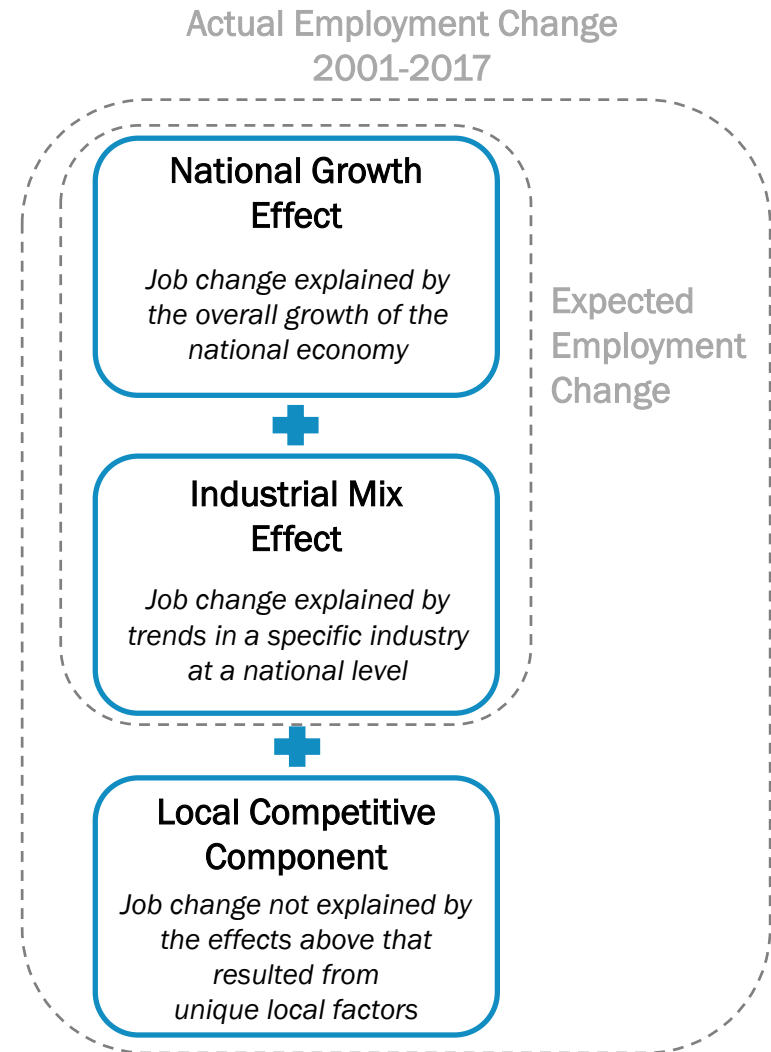
Industry	Total Jobs 2017	% Change 2001-2017	Location Quotient 2017
Local Government (Education & Hospitals)	2,077	-4%	1.70
Electric Power Generation, Transmission and Distribution	1,720	-21%	30.23
Local Government (Other)	1,195	-18%	1.45
Restaurants and Other Eating Places	948	-10%	0.62
General Medical and Surgical Hospitals	813	-22%	1.19
Warehousing and Storage	809	2671%	5.45
Basic Chemical Manufacturing	723	-48%	33.30
Grocery Stores	639	0%	1.62
Services to Buildings and Dwellings	621	175%	2.04
Nursing Care Facilities	554	-13%	2.35

Source: EMSI; Note: Location quotient is a measure of specialization that measures the relative concentration of any given industry in a region relative to that industry's concentration in a corresponding reference region. For instance, Salem County's location quotient of 5.45 in warehousing and storage indicates that this industry is 545% more concentrated (commanding a larger share of total employment) than this industry does at the national level. This suggests Salem County has a specialization in warehousing and storage.

# Salem In Context

## *Industry Competitiveness*

- A Shift share analysis, on the following pages, compares the change in growth from 2001 to 2017 to identify industries that are competitive locally, and potential sources of growth
- The analysis assesses the main drivers of employment change to identify industries that outperform the expectations and could be sources for future growth

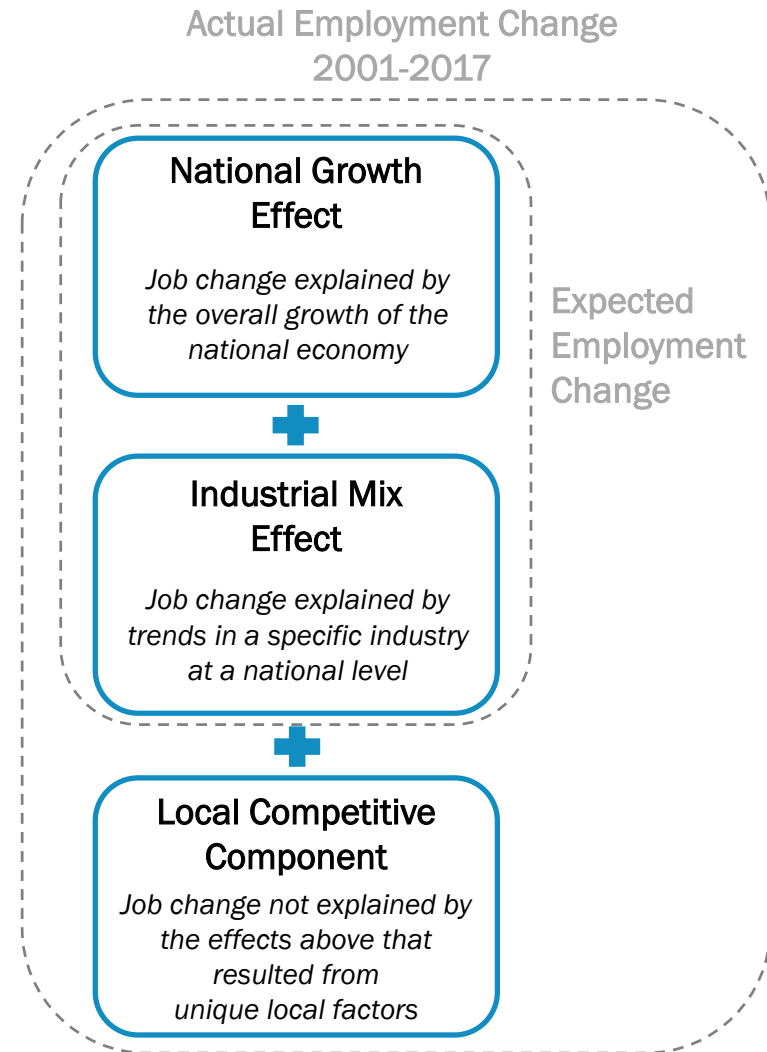




# Salem In Context

## *Industry Competitiveness*

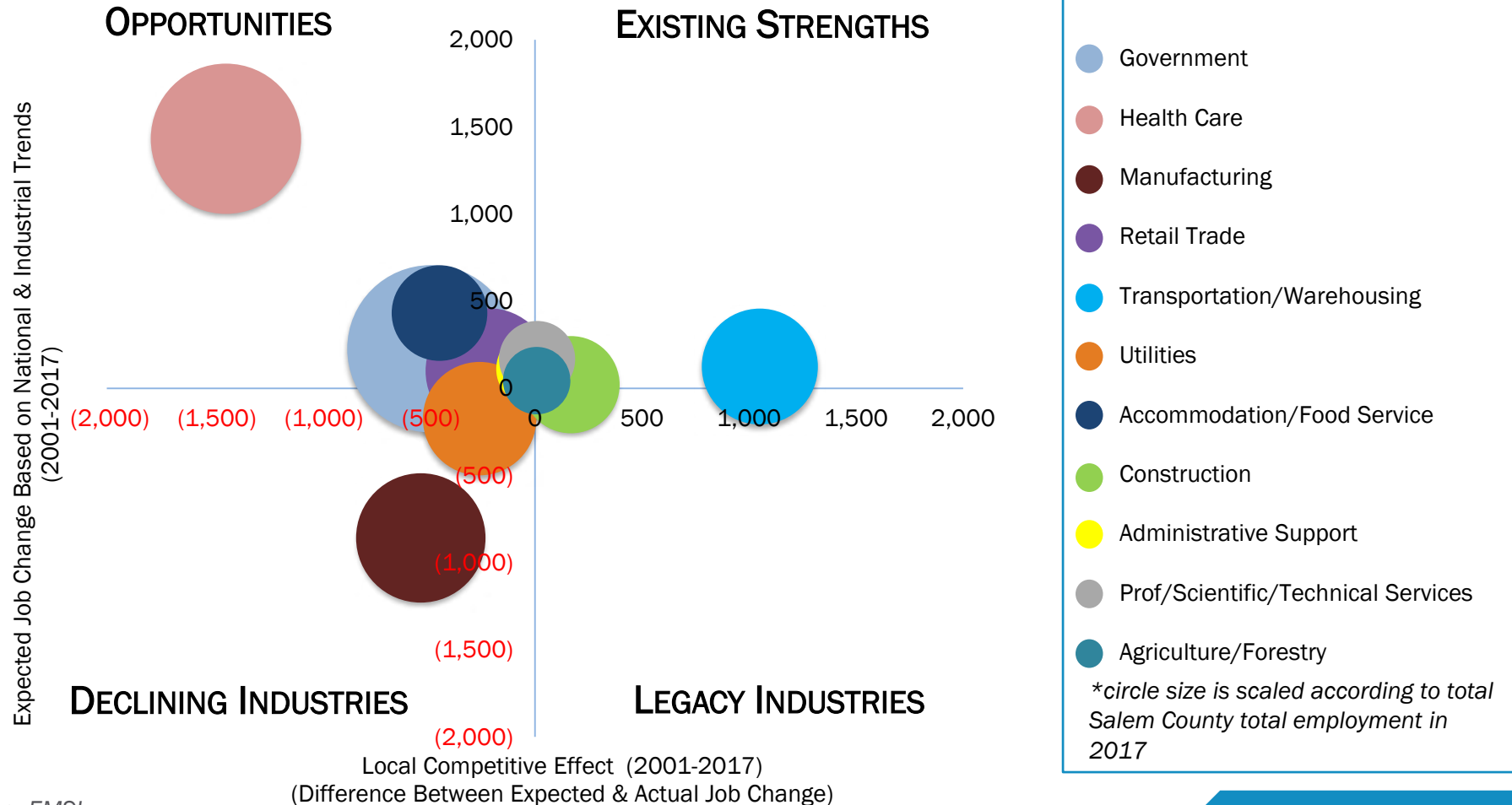
- **Legacy Industries:** Expected change based on national trends was negative, but job growth locally was positive
- **Existing Strengths:** Industries where the expected change and the local competitive effect were both positive.
- **Opportunities:** Industries where the expected change was positive and the local competitive effect was negative indicating opportunities where performance can be improved.
- **Declining Industries:** Industries where the expected change and the local competitive effect were both negative.



# Salem In Context

## Employment Industries

Many of Salem County's largest employment industries are declining and the county has few employers in industries poised for growth.

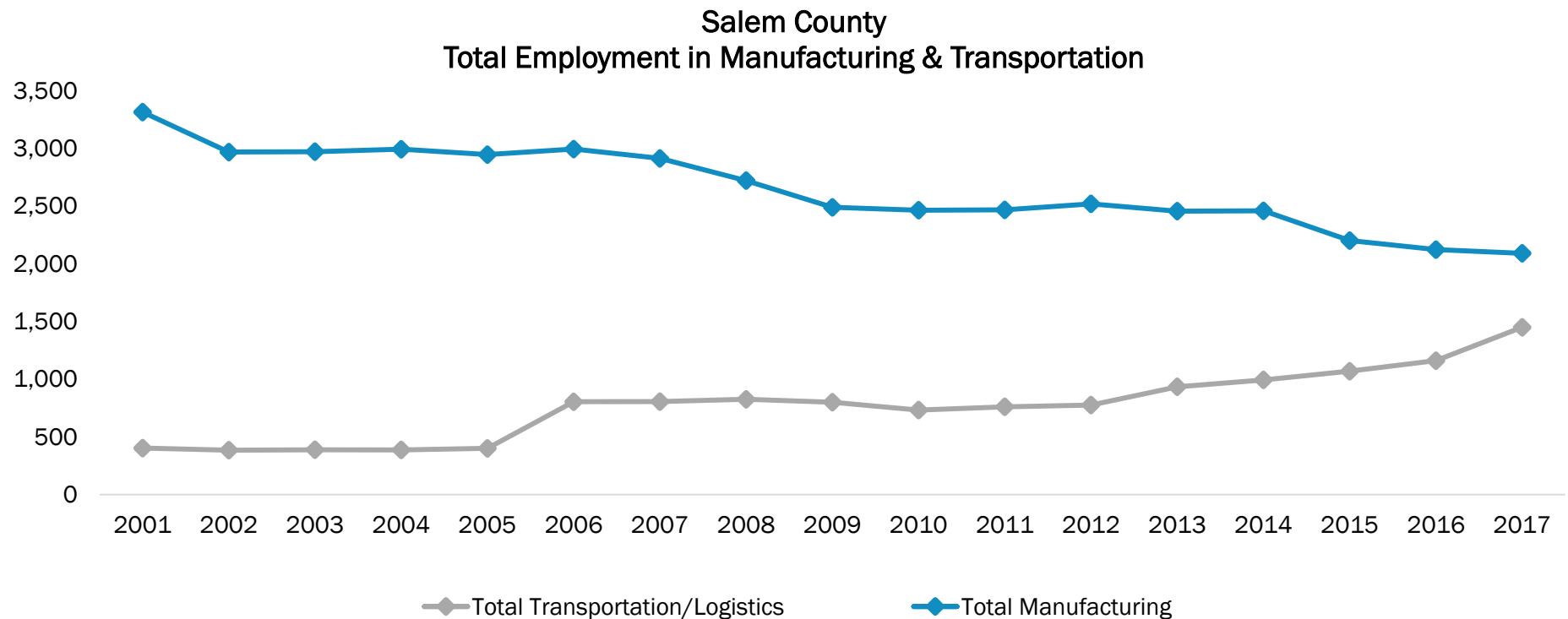


Source: EMSI

# Salem In Context

## *Manufacturing and Transportation Employment Trends*

Salem County has also shifted from a center of manufacturing production to a center of distribution and logistics and has seen manufacturing, which offers diverse and relatively high paying jobs, decline.

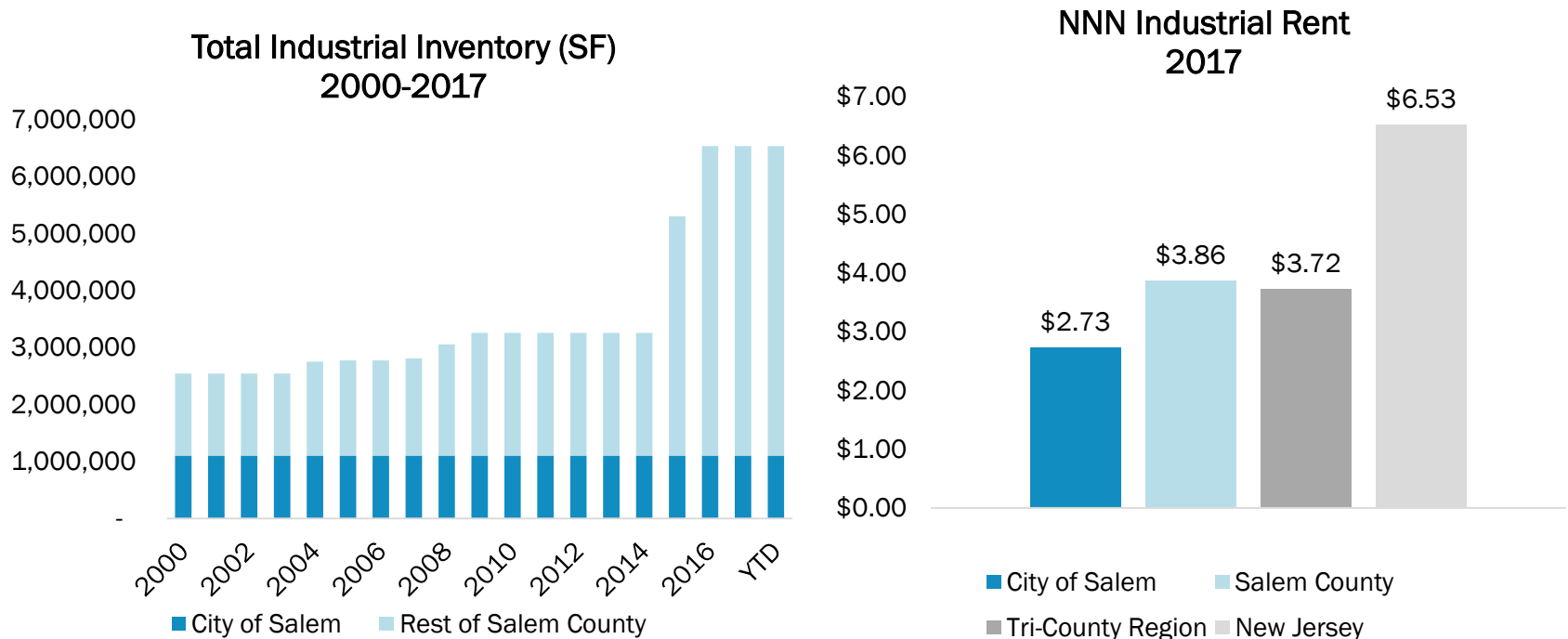


Source: EMSI

# Salem In Context

## *Availability of Industrial Space*

The City of Salem has 1 million square feet of low cost industrial space, but that sum has not grown in two decades. Rents in the City are significantly lower than the rest of the region and the state. While this is an opportunity for marketing Salem's affordability, it also reflects the lack of demand in the market for industrial space in the City.

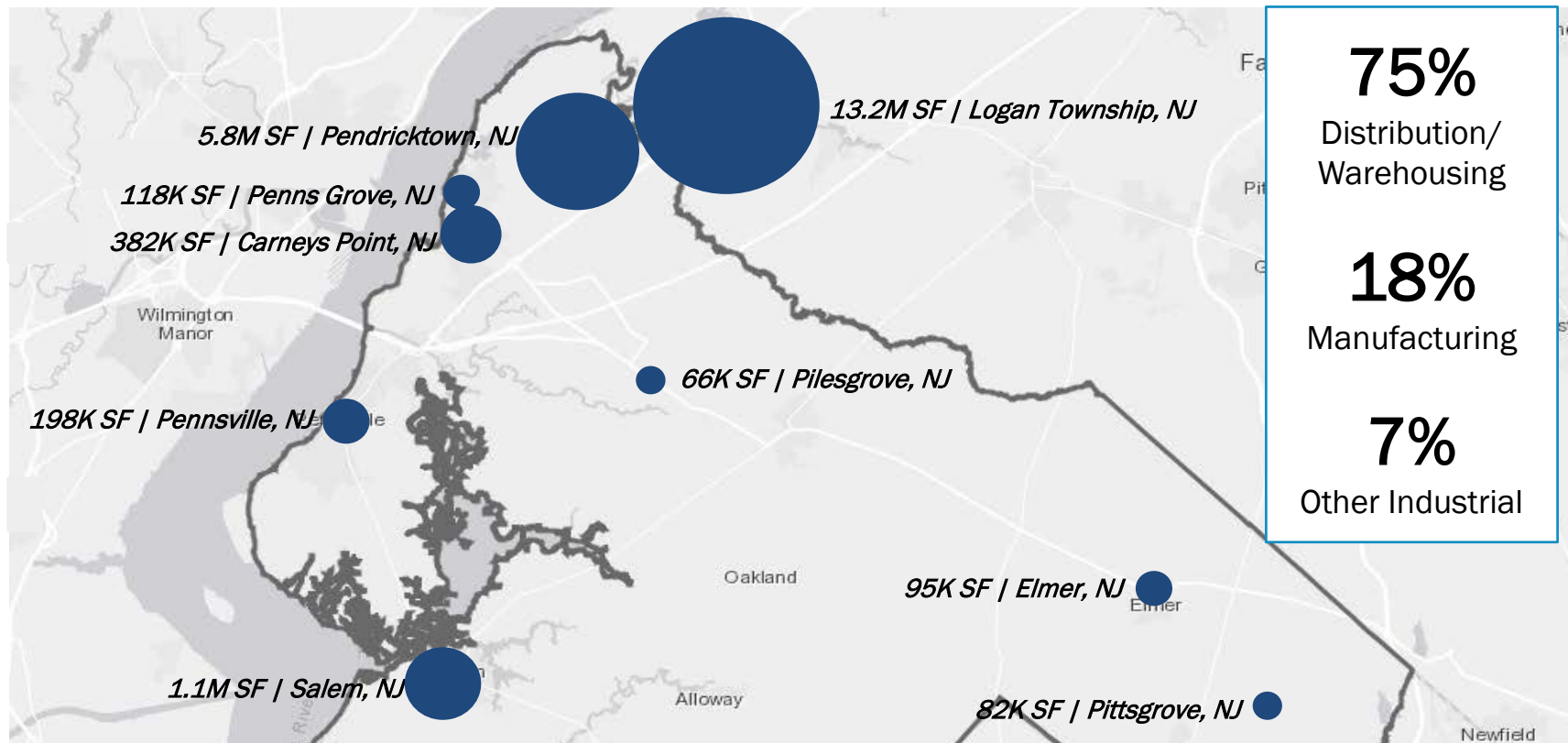


Source: CoStar; Notes: NNN is triple net lease agreement where the tenant is responsible for paying all property taxes, building insurance, and maintenance in addition to the base rent

# Salem In Context

## *Industrial Space Usage*

75% of the industrial space in Salem is devoted to distribution and warehousing, located near the interstate system. The remaining inventory includes a mix of different manufacturing uses as well as a few pockets of cold storage, food processing, and other industrial activities.



Source: CoStar



# Salem In Context

## *Existing Economic Conditions*

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### Strengths

- City leadership and determination has resulted in successful business outreach and recruitment of at least one new employer
- Salem has designated status as the county seat
- There is a large amount of available and affordable land
- The Port of Salem and its designation as a Foreign Trade Zone (FTZ) and Port of Entry provides an opportunity for reestablishing its position as an international hub for shipping and commerce
- Dedicated partners like the County's Community College and Stand Up for Salem are available to support workforce development



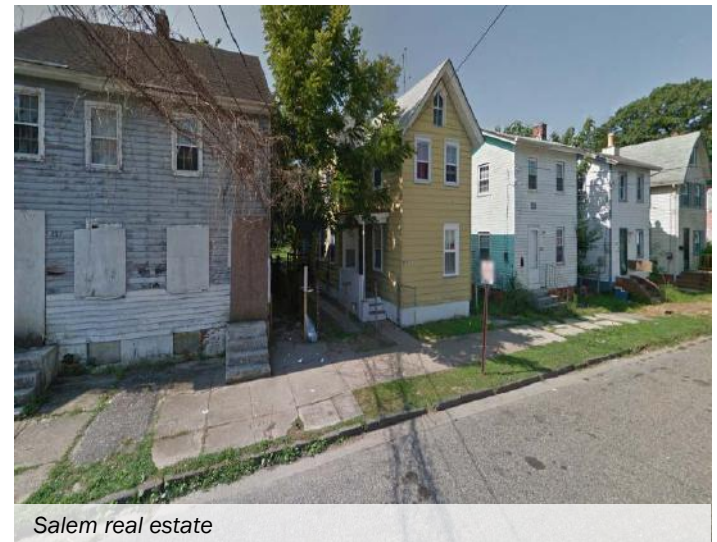
# Salem In Context

## *Existing Economic Conditions*

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### Weaknesses

- Salem's labor force is small and shrinking
- There is a skills mismatch between current residents and the City's available employment options
- City government lacks resources and operational capacity
- There is weak demand for real estate which depresses city revenues
- The City was bypassed by past transportation investments and now lacks direct access to critical infrastructure linkages
- Current physical limitations of the Port hinder its utilization
- Employment options are primarily low wage requiring little training or high wage requiring advanced degrees; few options exist in between



# Salem In Context

## *Existing Economic Conditions*

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### Opportunities

- The Port and its associated waterway are currently underutilized assets that could better support industry
- Beyond the Port, Salem has additional industrial land available for development, which was highlighted in the 2018 Waterfront Redevelopment Zone plan
- The City is a designated Opportunity Zone which makes it eligible for powerful new tax incentives
- The region has a unique historic legacy and architectural assets that differentiate Salem for other small towns in the Southern New Jersey region, and solidify its position as a historic asset
- Once repaired, the Salem County freight railroad will be an important asset that connects production firms to markets



# Salem In Context

## *Existing Economic Conditions*

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### Threats

- The long-term continuity of current leadership that is driving economic development across election cycles is fraught with uncertainty
- Nearby communities also offer affordable land for production uses which diminishes the competitive aspect of Salem's offerings
- The core employment base in Salem is declining and modest new growth in warehousing and distribution has not filled the employment gap that remains after historic job losses
- South Jersey Port Corporation's prioritization of investment in other Ports besides Salem have made Salem's port less competitive than other regional assets



# Salem In Context

## *Existing Economic Conditions: Key Findings*

The results of the existing conditions analysis provides some key findings and implications for the economic development strategy.

### High Unemployment

Salem has significantly elevated levels of unemployment, which reduces household income and, by extension, property values and City revenues.



### Importance of Increasing Local Jobs

Stabilizing City revenues requires local jobs that residents of Salem are able to access and secure.

### Low Levels of Education

City residents have substantially lower levels of education attainment as compared to surrounding communities.



### Need for Workforce Training

To ensure that Salem residents are competitive for new jobs, it is likely that initiatives to train, prepare, and connect residents will be necessary.



# Salem In Context

## *Existing Economic Conditions: Key Findings*

The results of the existing conditions analysis provides some key findings and implications for the economic development strategy.

### Few Industries Poised for Growth

Salem County is a competitive location for few industries, which is a challenge for economic development.



### Need for Economic Development Team

Attracting companies will require overcoming obstacles presented by the regional economy. This will require a team dedicated to economic development.

### Mayoral Lead Economic Development

The City's economic development efforts are spearheaded and led by the Mayor, an elected official.



### Need for Economic Development Team

A long term sustained economic development effort is needed, which will require dedicated staff capacity.

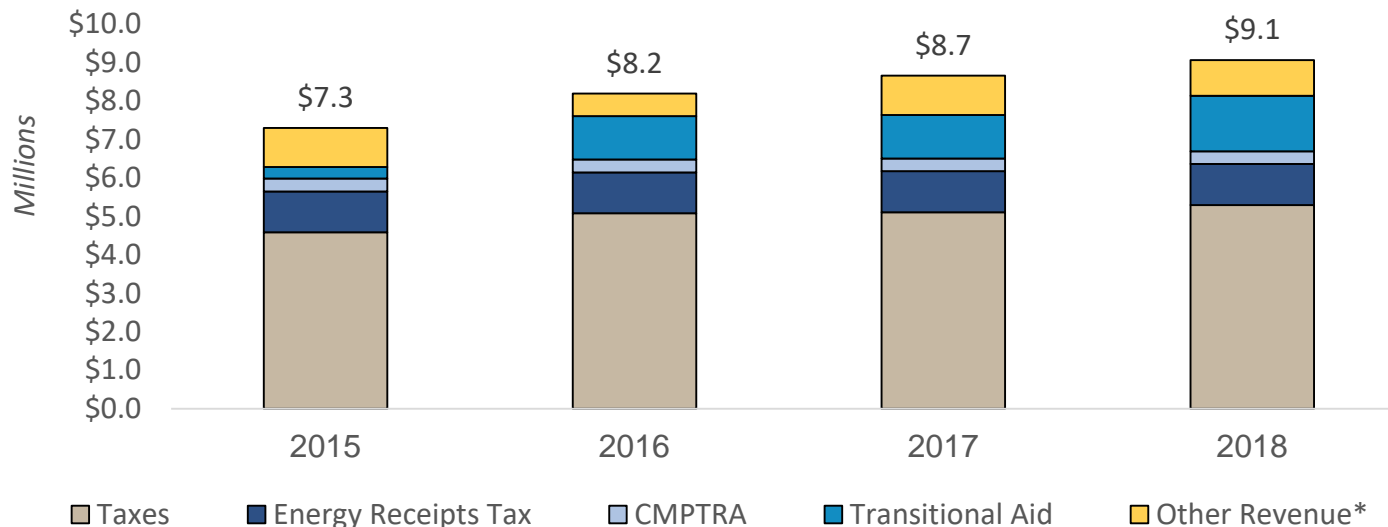


# **Salem's Historical Fiscal Trends: *2015-2018***

# Historical Current Fund Revenues

- Salem is **dependent on property taxes as a primary revenue source** – these comprise nearly 60% of total Current Fund revenue in 2017.
- The City is **increasingly reliant on State revenue streams** (e.g. Energy Receipts Tax, CMPTRA, and Transitional Aid), which provide approximately 30% its current revenue.
- Since 2015, the City's annual revenue has grown by 25% (\$1.8M), primarily as a result from growing emergency State Aid.
  - State Transitional Aid growth was \$1.1M (65%) of the increase

*Historical Current Fund Revenues, 2015 - 2018*



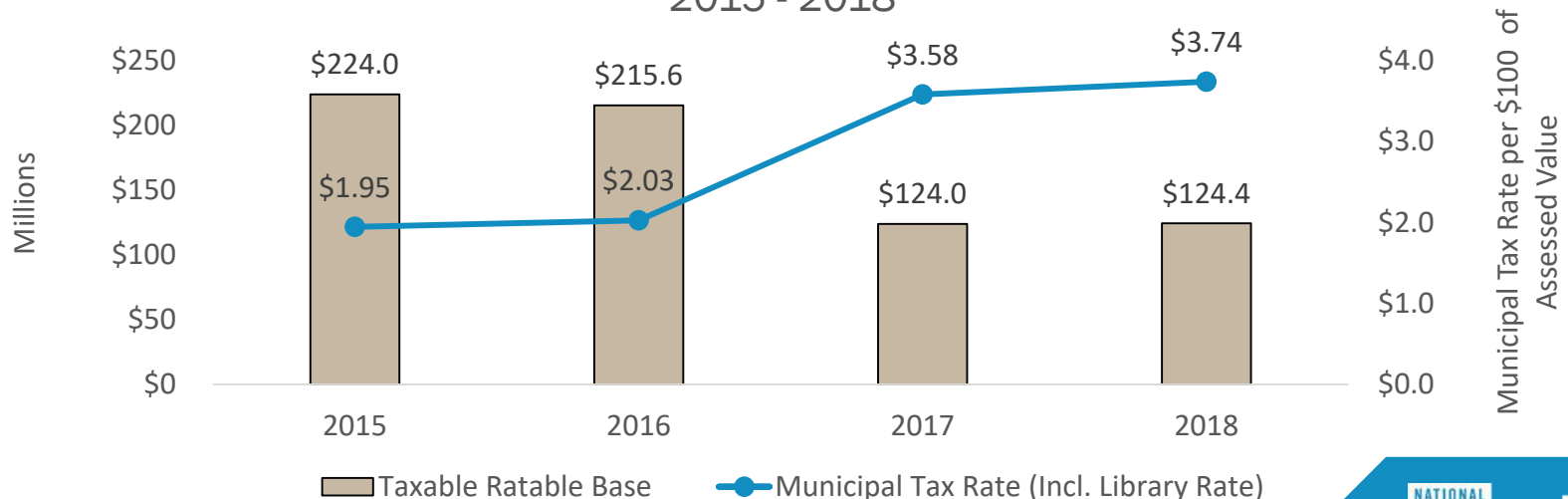
*\*Excluding grant revenue with matching appropriations*

# Current Fund Revenues

## *Decreasing Property Tax Base*

- Salem's revenue projections are based on a simple formula: total assessed value of property multiplied by the municipal tax rate.
- In 2017, the Salem County Board of Taxation ordered the City to undertake a city wide property revaluation. **As a result of the revaluation, Salem's total assessed value of properties dropped by 42%** (from \$216M to \$124M) and would have resulted in a loss of \$1.8M in revenue without a change to the tax rate (before collection rate).
- The City increased its municipal tax rate by 77% (1.6 mills) from 2016 to 2017 in an effort to hold municipal revenue relatively flat.

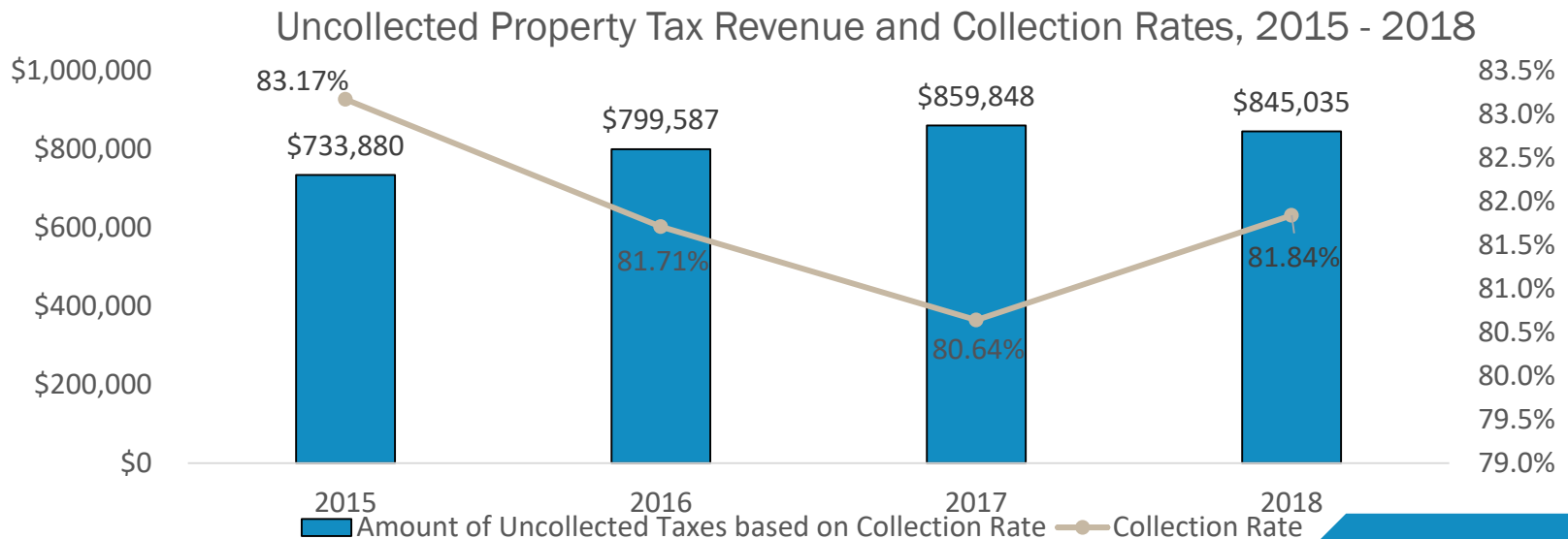
City of Salem Taxable Ratable Base and Municipal Tax Rates,  
2015 - 2018



# Current Fund Revenues

## *Decreasing Property Tax Collection*

- The recent significant loss in total assessed value is compounded by **Salem's low property tax collection rate**
  - Between 2015 - 2017, Salem collected an average of 81.84% of the total amount to be raised by taxation
- The low collection rate is compounded by the fact that the City must budget for uncollected property tax revenues as an expenditure
- The Reserve for Uncollected Taxes includes the amount that must be given to the County and Schools, reflecting the fact that the City must provide 100% of anticipated revenue to the County and Schools even through it only collects a approximately 80% of such revenue



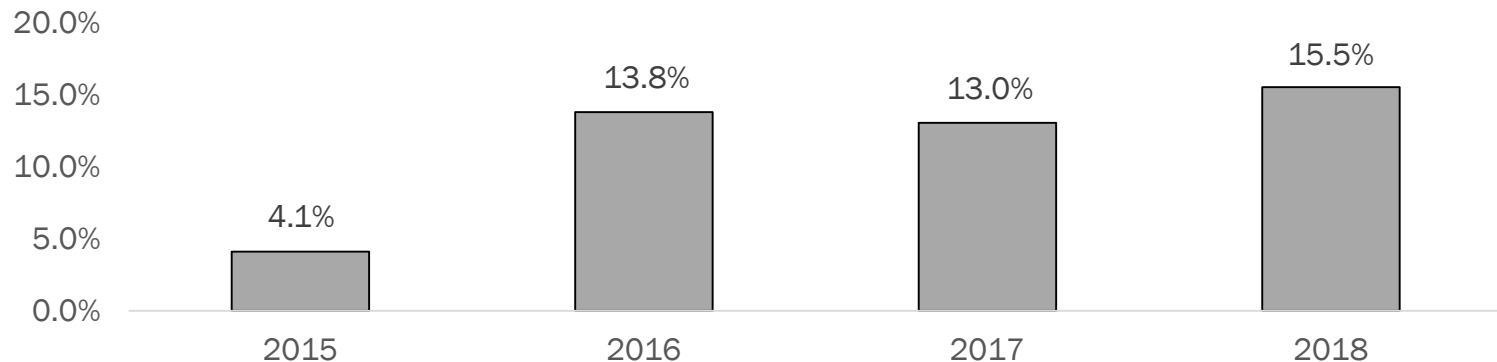


# Current Fund Revenues

## *Increasing Dependence on Transitional Aid*

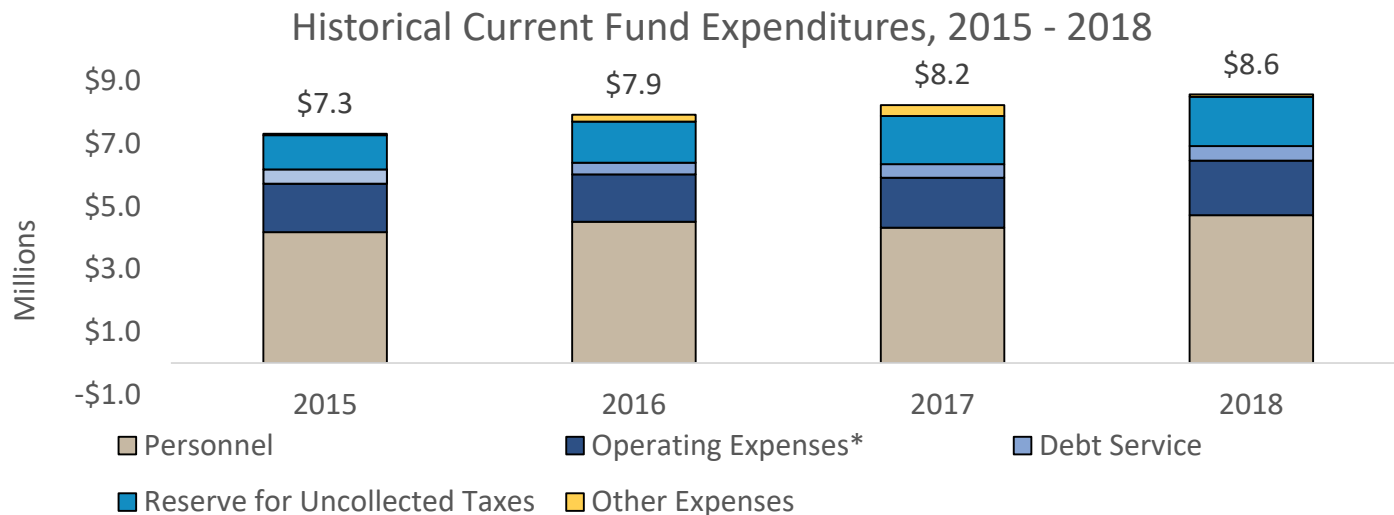
- As a result of the significant decline in property valuation, associated property tax revenue, and the City's declining collection rate, **Salem is increasingly dependent on Transitional Aid from the State of New Jersey to close its annual budget deficits and finance municipal operations.**
- In just four years (2015-2018), Transitional Aid grew from 4% of Current Fund revenues to more than 15% of Current Fund revenues.
- Transitional Aid application and award mandates additional state oversight and controls – including a State Monitor who reviews personnel, contracting, and operational actions.

Transitional Aid, Percent of Total Current Fund Revenue, 2015 - 2018



# Historical Current Fund Expenditures

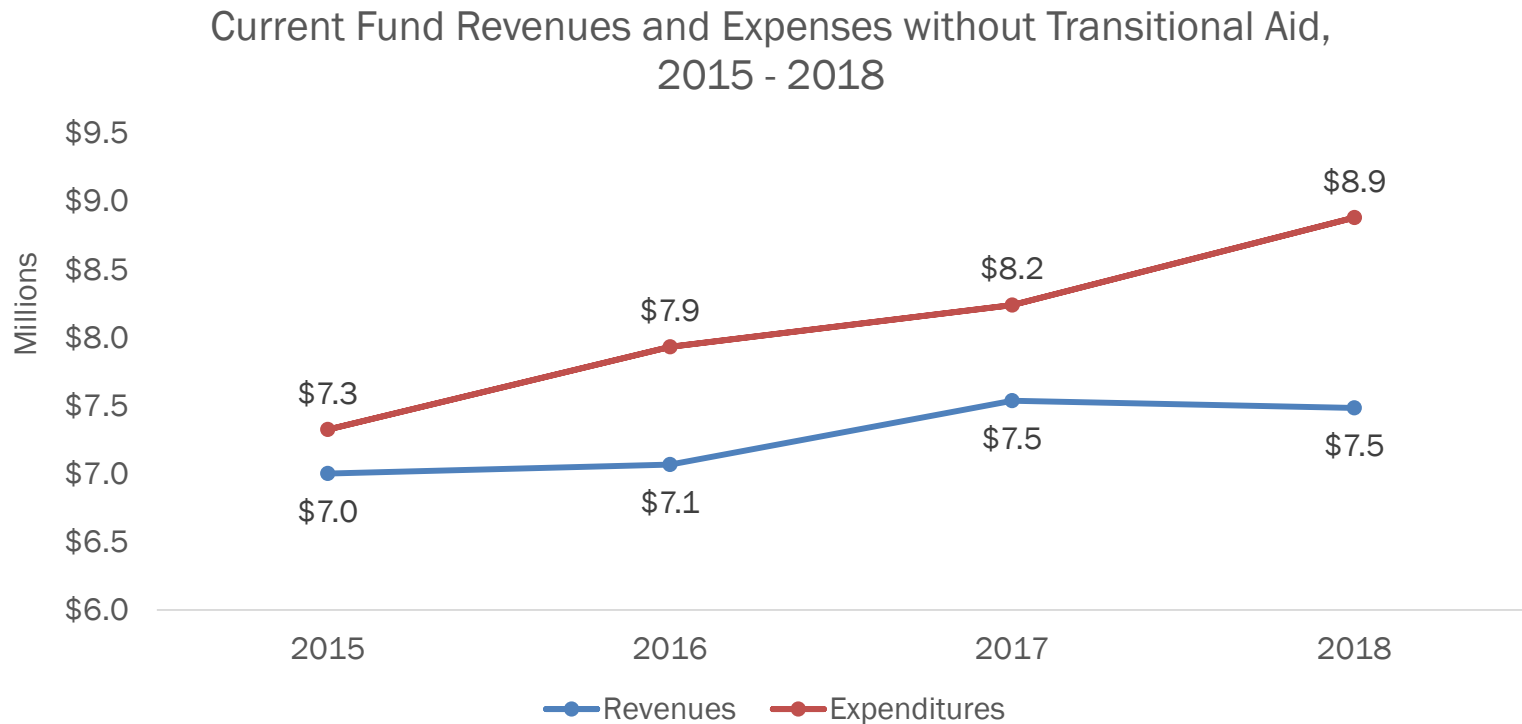
- The majority of Salem's expenditures are for personnel costs – including salaries, wages, health benefits, and retiree benefits.
- In 2017, personnel costs comprised 53% of total Current Fund expenditures.
- Operating expenses (e.g. utilities, property and maintenance and departmental expenses) and the City's reserve for uncollected taxes are the next largest expenditure categories – each at nearly 20% of total expenditures
- From 2015 to 2017, the City's annual expenditures increased by 12.5% (\$0.9M)
  - The City's reserve for uncollected taxes increased by nearly 41% (\$0.44M)
  - Personnel costs and operating expenses both increased by 3%



*\*Excluding grant appropriations with matching revenue*

# Salem's Structural Deficit

- The result of flat, non-State aid, revenue growth and growing expenditures is that the City has a structural budget deficit.
- The annual deficit, absent State Transitional Aid, has grown from \$300,000 in 2015 to more than \$1.4 million in 2018.



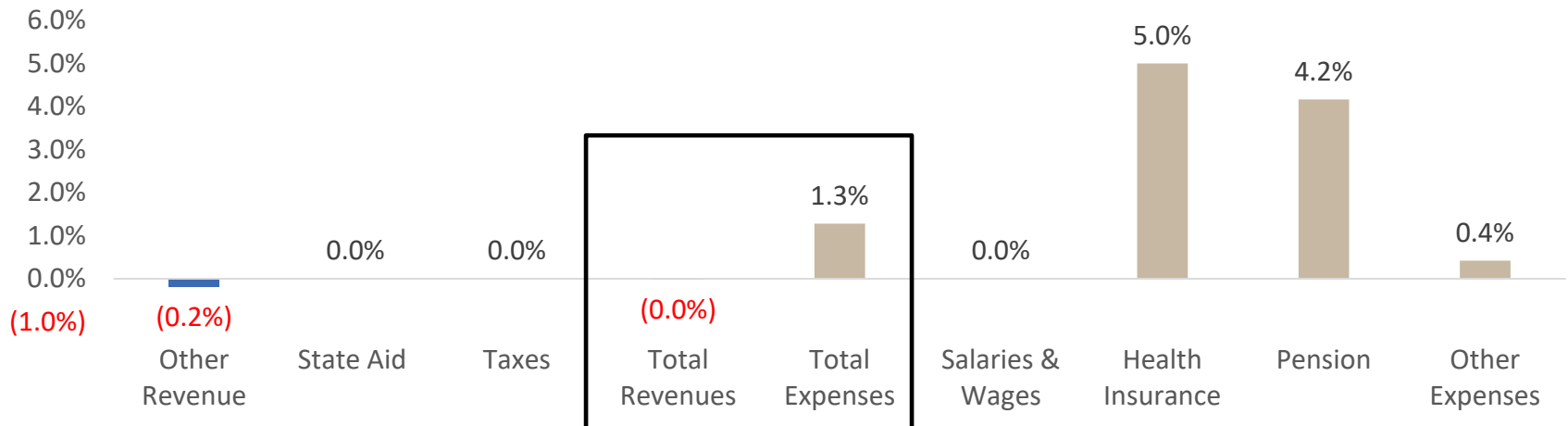


# **Current Fund Baseline Projection:** ***2019-2023***

# Baseline Projection Assumptions

- At baseline, the following significant assumptions are made:
  - No growth in revenue from property base and rate
  - No Transitional Aid and no growth in other forms of State Aid
  - Declining growth in revenue from other sources
  - No growth in cash compensation beyond current CBAs and no change in total headcount
  - Moderate health care (5% - SHBP) and pension cost growth (4.2% - PFRS, PERS)
  - Minimal growth in “Other Expenses”

Annual Revenue and Expense Growth  
Current Fund Baseline Projection, 2019 - 2023

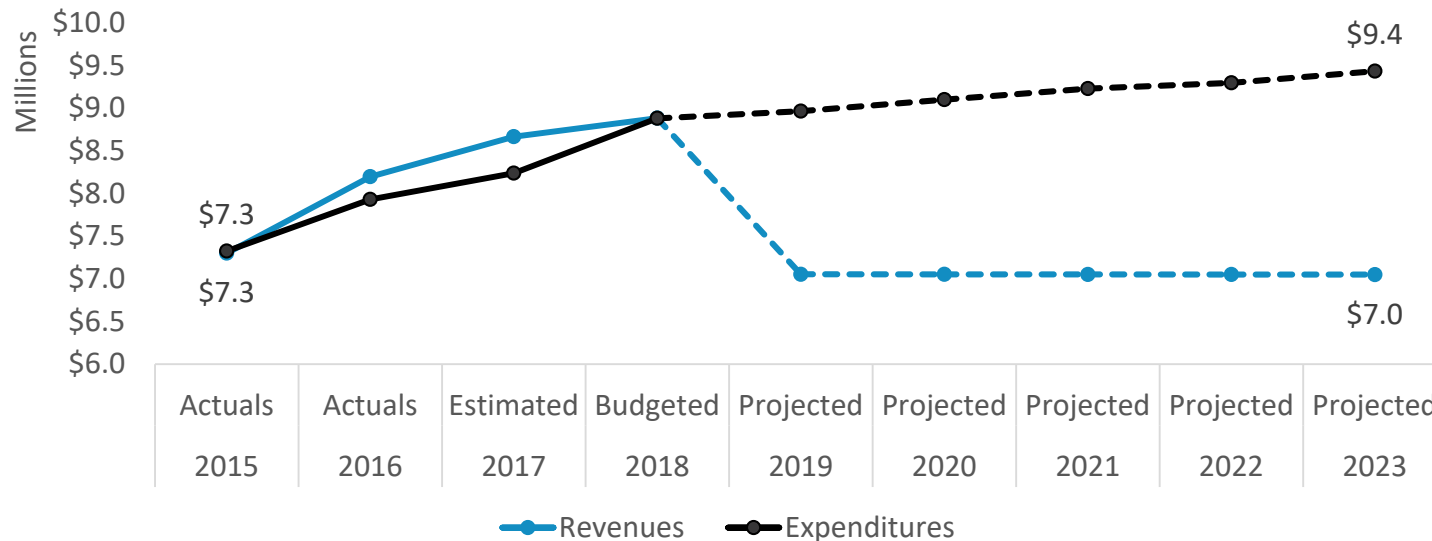




# Salem's Baseline Projection – Without TA

- The baseline projection reflects the City's fiscal situation *assuming no corrective action is taken*.
- Without Transitional Aid, the **City's cumulative deficit over the five year projection would grow to \$10.7 million and the 2023 ending fund balance would be negative \$10.4 million.**

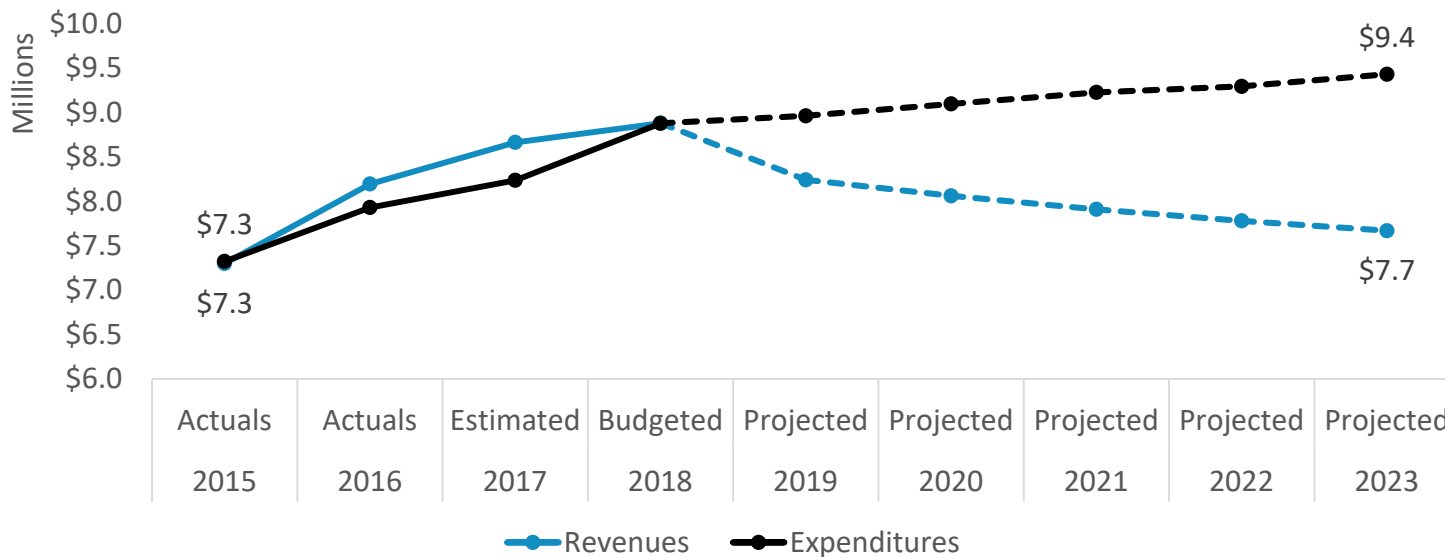
Current Fund Baseline Projection without TA, 2015 - 2023



# Salem's Baseline Projection – Modified TA

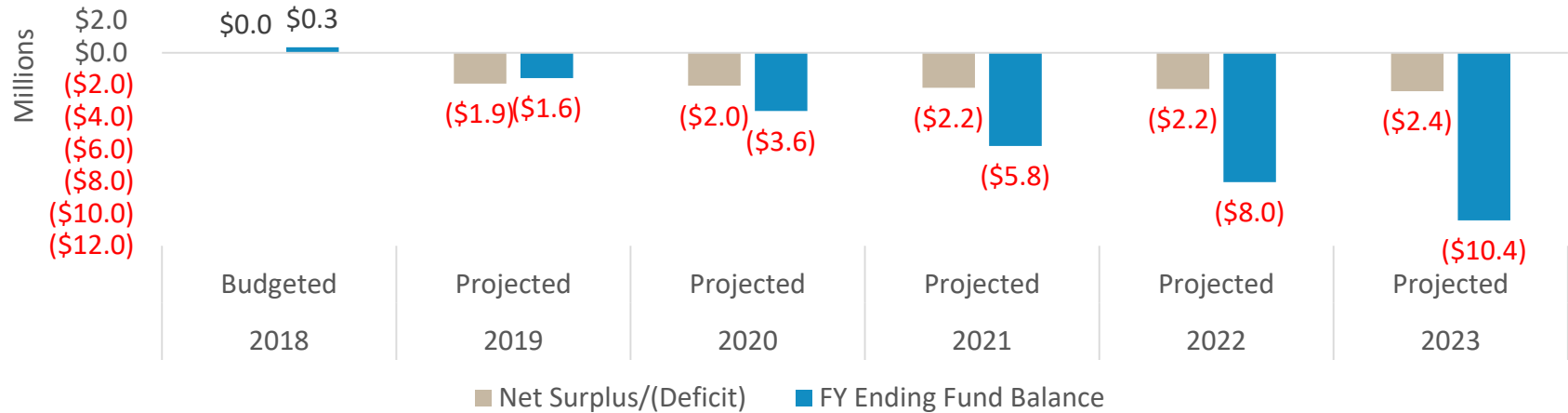
- New Jersey law mandates that Transitional Aid cannot be budgeted at more than 85% of the prior year's amount.
- If Salem receives Transitional Aid at 85% of the prior year amount in each projected year beginning in 2019, the City would still face a cumulative deficit of \$6.3 million and a 2023 ending fund balance of negative \$6.0 million.

Current Fund Baseline Projection with TA at 85% of Prior Year, 2015 - 2023

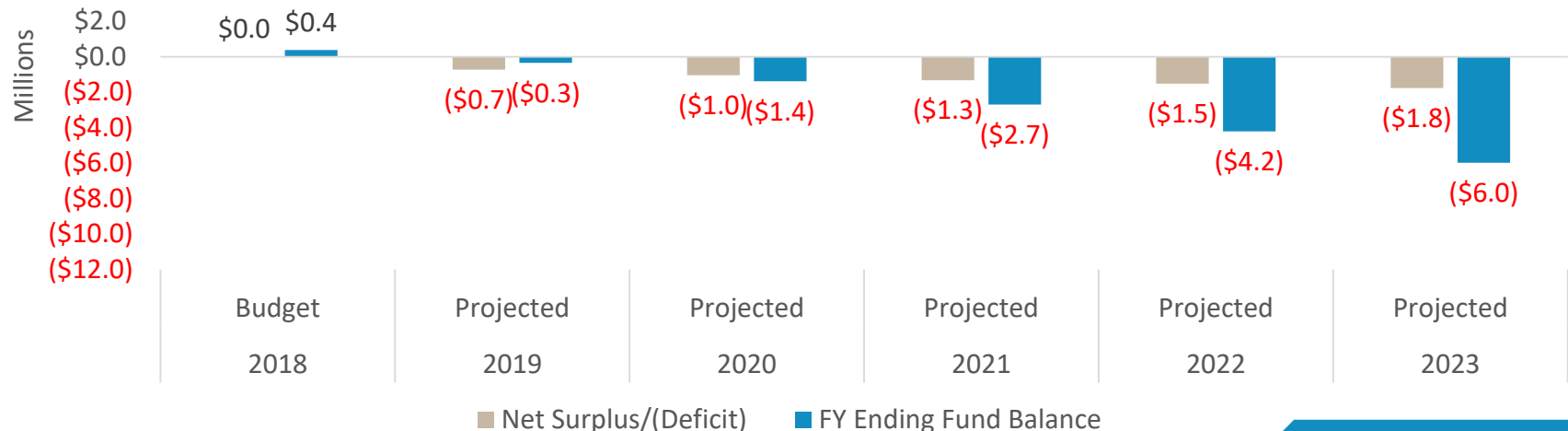


# Salem's Baseline Projections

Current Fund Baseline Forecast without TA, 2018 - 2023



Current Fund Baseline Forecast with TA at 85% of Prior Year, 2018 - 2023



# Closing the Gap

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- Salem's financial situation is severe and not likely to be resolved in the short-term.
- The following sections of the Plan outline a series of actions that can be taken to alter Salem's trajectory:
  - Those initiatives directly under City control to strengthen its fiscal and operational capacity and invest in economic development
  - Initiatives that require one or more partners take with the City to increase the fiscal sustainability and economic competitiveness of Salem.



# **Achieving Fiscal Sustainability:** ***What Salem Can Do***



# What Salem Can Do

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- Like other New Jersey municipalities, Salem is constrained in the number of actions it can take to address its fiscal gap:
  - Property tax levy is limited by State law to a 2 percent annual cap
  - Salem participates in the State health insurance program and pension systems, for which the City is billed directly
  - Select certified personnel requirements set by State
- **As a result, Salem has a limited, but meaningful set of actions that it can control to help achieve fiscal sustainability.**
- These actions, or initiatives, should be focused around the following goals:
  - Increased revenue collections
  - Expenditure reductions
  - Develop existing tax base
  - Operational Sustainability

# What Salem Can Do:

## *Increase Revenues*

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- Salem must find new ways to increase revenues while working to decrease expenditures
- Potential opportunities to generate additional revenue may include:
  - Improving the City's property tax collection percentage, which is currently at 81.84%\*
  - Based on the 2018 assessed value and tax rate, every 1% increase in property tax collections is equal to approximately \$89,631 in revenue to the City
  - Evaluate the potential for Water and Sewer system P3s and eliminate associated debt service
- These options are reviewed in more detail on subsequent pages

*\*Represents the three-year average collection percentage from 2015 to 2017 used in the 2018 budget. Salem's 2017 collection percentage was 80.64%*

# The Need to Increase Property Tax Collections:

## *Salem's Collections Compared to Other Municipalities*

- Based on the City's tax rate, Salem should have generated more tax revenue per capita than benchmarked municipalities in 2017.
- However, Salem's 2017 assessed value per capita was nearly half of the median of the benchmark group. The City's property tax collection percentage was also 15 percent lower than the benchmark median.
- Due to this combination of low assessed value and low collection percentage, Salem's uncollected property tax revenue per capita (\$172) was 80 percent higher than the median of the benchmarked peer group (\$36).

Municipality	2017 Assessed Value per Capita	2017 Collection Percentage	2017 Municipal Tax Rate	2017 Amount to be Raised for Municipal Purposes	2017 Collected Property Tax Revenue per Capita	2017 Uncollected Property Tax Revenue per Capita
Bridgeton City	\$19,428	97.0%	\$2.565	\$498	\$483	\$15
Woodbury City	\$58,031	96.0%	\$1.531	\$889	\$853	\$36
Millville City	\$51,922	95.5%	\$1.266	\$656	\$627	\$29
Paulsboro Borough	\$59,732	95.2%	\$1.383	\$826	\$787	\$39
Penns Grove Borough	\$34,178	87.3%	\$1.812	\$619	\$541	\$79
Salem City	\$25,138	80.6%	\$3.544	\$891	\$718	\$172
Median (excl. Salem)	\$51,922	95.5%	\$1.531	\$656	\$627	\$36
Rank	5 of 6	6 of 6	1 of 6	1 of 6	3 of 6	1 of 6

# The Need to Increase Property Tax Collections:

## *Strategies Implemented by Other New Jersey Municipalities*

---

- Salem could pursue the following opportunities to improve its collection percentage overall:
  - Conduct an accelerated tax sale for current year delinquent taxes before the end of each calendar year. Seaside Heights, NJ uses accelerated tax sales to maintain its collection rate at 98 percent or higher.
  - Shift Tax Assessor responsibilities to the County. For example, Gloucester County does tax assessment for Woodbury City.
  - Send tax payment reminders and link to services provided by the City. Cherry Hill has implemented this strategy to increase tax collections.
  - Build registration database of all properties in Salem to improve records management.
  - Offer a payment plan for delinquent payments.
  - Engage with a third party to handle delinquent collections.
  - Give community groups, such as the County Community College, the first opportunity to purchase delinquent or abandoned properties – with the intent to rehab, occupy, and sell – perhaps as part of workforce training activities.
  - Exempt vacant properties from tax lien sales that could be repurposed for community and economic development uses.

# The Need to Increase Property Tax Collections:

## *Additional Revenue Generation*

- As part of the strategy to improve collections, Salem could enter into a performance-based contract with its CFO and Tax Collector successor(s). The contract(s) would be a gain-sharing opportunity – as Salem’s collection percentages increases, so would the position’s salary.
- A one percent increase in collection rate equals \$89,631 in additional property tax revenue for the City.
- If Salem implemented a gain-sharing CFO/Tax Collector contract(s) and the aforementioned strategies to increase its collection percentage **5% by 2023**, the City could realize an additional **\$1.3 million** over the projection period.
- The table to the right demonstrates the additional property tax revenue that Salem could generate by increasing its collection rate by increments of 2 percent points – net of any gain share compensation.

Collection Rate	Additional Revenue 2019 - 2023
81.84%	-
83.84%	\$0.54 million
85.84%	\$1.07 million
86.84%	\$1.34 million
87.84%	\$1.61 million
89.84%	\$2.14 million
91.84%	\$2.68 million
93.84%	\$3.21 million
95.84%	\$3.75 million
97.84%	\$4.29 million
99.84%	\$4.82 million

\*Represents Salem’s average collection rate from 2015 – 2017. The City’s 2017 collection rate was 80.6%



# The Need to Evaluate City Assets:

## *Salem's Water / Sewer Utility*

---

- Salem's Water and Sewer Utility has been self-sustaining in recent years, though the fund depends on the use of prior-year surplus as a source of revenue.
- However, the system's outdated water meters are negatively impacting the City's ability to collect revenue:
  - A 2017 report by Water Resource Management (WRM) found that a sample pool of meter reads resulted in a 49 percent failure rate.
  - WRM was unable to determine the total amount of revenue Salem is losing out on as a result of the system's faulty water meters.
- Based on the City's 2017 audit, the Water/Sewer Utility's cash collections decreased by approximately 5 percent from 2015 to 2017.
- To avoid a potential Water/Sewer Utility deficit from uncollected revenue, Salem could evaluate monetizing or leasing its Water/Sewer Utility.
  - Salem's newly hired Utility Director should work with legal counsel and the City leaders to determine if a one-time cash infusion from an asset monetization would offset potential risks.

# The Need to Evaluate City Assets:

## *Water System Monetization in New Jersey*

---

- Other New Jersey municipalities have monetized or considered monetizing their water and sewer systems in recent years:
  - West Milford, NJ is nearing the close of its \$12.5 million water system sale to Suez Water New Jersey Inc. The \$12.5 million sale price covers \$5 million in debt owed to the NJDEP for system violations.
  - The water system in High Bridge, NJ was valued by American Water at \$4.12 million. High Bridge voters rejected the sale in November 2017.
  - American Water also bid \$11 million for the water system in Long Hill, NJ. Voters rejected the sale in November 2017.
- Salem has pursued this option in the past and could revisit.
  - The City is also looking into upgrading the water meters and is pursuing grant funds to do so.

# The Need to Evaluate City Assets:

## *Pros and Cons of a Water/Sewer Monetization*

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Potential for one-time revenue that could be used to pay off liabilities such as the Finlaw building debt

Eliminate capital improvement burden associated with aging infrastructure

Possible reduction or elimination of personnel costs associated with the utility



Loss of City ownership of valuable asset

Potential rate increases for residents. Salem has not increased its Water/Sewer rates in recent years.

# The Need to Evaluate City Assets:

## *Monetization Process*

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- Monetization of Salem's Water/Sewer Utility could potentially follow the below process:



# What Salem Can Do:

## *The Need to Reduce Expenditures*

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- Salem can also take a number of actions to reduce expenditures:
  - Increase employee contributions to health care costs
  - Eliminate the number of City Council positions
  - Convert streetlights to LEDs
  - Adjust minimum contribution to the Library
  - Operational and staffing efficiencies



# The Need to Reduce Expenditures:

## *Health Care Expenses Compared to Peer Municipalities*

- Salem participates in the NJ State Health Benefits Plan for both medical and prescription drug insurance.
- Salem's 2017 total health insurance cost per employee was 13 percent higher than the median of the peer group.
- In 2017, on average, Salem's employee cost sharing for health insurance was 12 percent, or 46 percent lower than the median (17%).

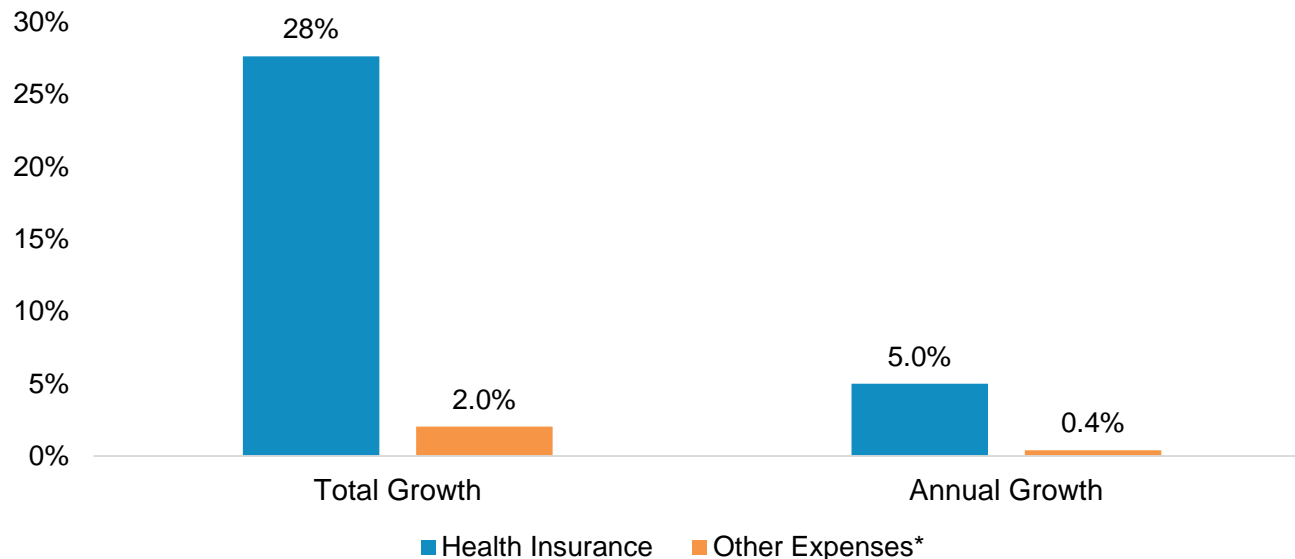
	Total Cost per Employee	Total Cost per Employee per 1,000 capita	Employee Cost Sharing as a % of Total Cost per Employee
Salem, NJ	\$22,025	\$4,467	12%
Penns Grove, NJ	\$19,500	\$3,912	18%
Paulsboro, NJ	\$18,747	\$3,120	14%
Woodbury, NJ	\$16,641	\$1,660	22%
Bridgeton, NJ	\$20,109	\$798	17%
Millville, NJ	\$20,744	\$730	16%
Median (excl. Salem)	\$19,500	\$1,660	17%
Rank	1 of 6	1 of 6	6 of 6

# The Need to Reduce Expenditures:

## *Increase Employee Contribution to Health Care Premium*

- Health insurance is the City's third largest expense (behind salaries and the reserve for uncollected taxes). In 2017, health insurance expenses totaled \$1.1 million, or 13 percent of total Current Fund expenditures (excluding grant appropriations).
- The cost of health insurance premiums is anticipated to grow 5 percent annually to \$1.75 million, or 19 percent, of total Current Fund expenditures by the end of the five-year projection period.

*2018 – 2023 Projected Total and Annual Growth -  
Health Insurance vs. Other Expenses*



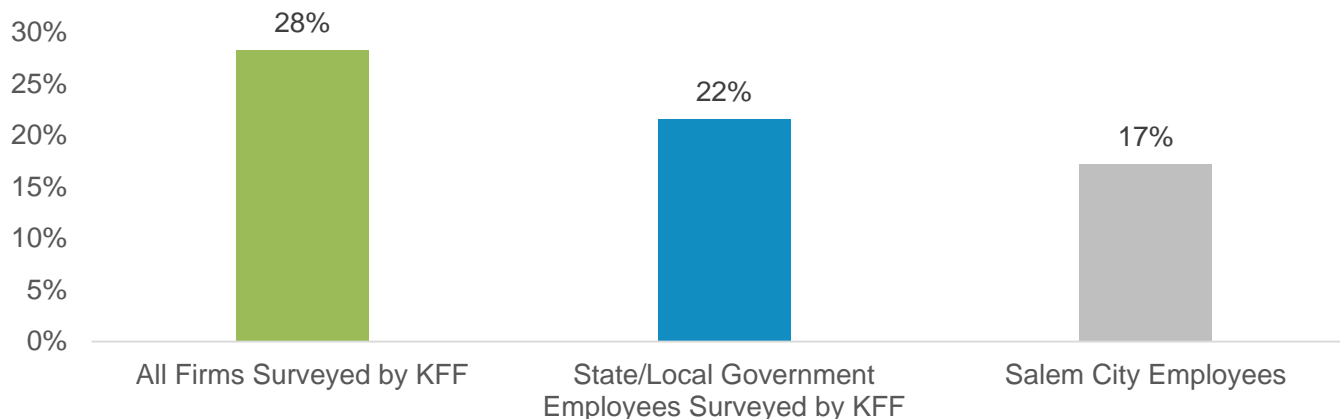
\*Excluding grant appropriations with matching revenues

# The Need to Reduce Expenditures:

## *Increase Employee Contribution to Health Care Premium*

- According to the 2018 Kaiser Family Foundation Employer Health Benefits annual survey, an average covered worker contributes 28 percent of the premium cost for family coverage. An average state/local government employee contributes 22 percent of the premium cost for family coverage.
- **On average, Salem City employees contribute 17 percent of the premium cost for family coverage**, which is 25 percent lower than the average contributions of state/local government employees surveyed by KFF and 64 percent lower than the average contributions of all covered employees surveyed by KFF.

*2018 Average Employee Percent of Health Insurance Premium Contributions for Family Coverage*



# The Need to Reduce Expenditures:

## *Increase Employee Contribution to Health Care Premium*

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- To address the growing structural deficit, Salem could consider increasing its employee health insurance premium contribution to ensure health care costs are fiscally sustainable and better align with the contribution levels of employees in benchmarked municipalities.
- Any changes to employee health insurance contributions will have to be negotiated with the City's bargaining units.
- If the City increased its employee contribution to 20 percent (on average) in 2019, the annual health insurance burden could be reduced.
- The table below demonstrates the potential savings with each 2 percentage point increase in average employee cost sharing.

Average EE Cost Share %	2019 - 2023 Total Savings
14%	\$181,362
16%	\$361,659
18%	\$541,955
20%	\$722,252
22%	\$902,549
24%	\$1,082,845
26%	\$1,263,142
28%	\$1,443,438
30%	\$1,623,735

# The Need to Reduce Expenditures:

## *Salem's Elected Officials Compared to Other Municipalities*

- Salem has the highest number of governing body employees (Mayor and City Council members) per 1,000 residents among the benchmarked peer group.
- Salem also has the highest average employee compensation and total personnel cost per 1,000 capita for its elected officials among benchmarked municipalities.

### 2017 Governing Body Employees

Municipality	# of PTEs per 1,000 Capita	Average Employee Compensation per 1,000 Capita	Total Personnel Cost per 1,000 Capita
Salem, NJ	1.83	\$1,334	\$12,007
Penns Grove, NJ	1.40	\$858	\$6,006
Paulsboro, NJ	1.16	\$1,114	\$7,797
Woodbury, NJ	1.00	\$434	\$4,344
Bridgeton, NJ	0.24	\$333	\$1,997
Millville, NJ	0.18	\$596	\$2,982
Median (excl. Salem)	1.00	\$596	\$4,344
Rank	1 of 6	1 of 6	1 of 6



# The Need to Reduce Expenditures:

## *Reduce Size of City Council*

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- Salem cannot achieve fiscal sustainability without demonstrated commitment from its leaders.
- Salem currently has nine elected officials – eight City Council members and one Mayor.
- Salem could consider reducing the size of its City Council to align with the benchmarked median shown on the previous slide of one elected official per 1,000 capita.
- To align with benchmarked municipalities, Salem would need approximately five elected officials, or a reduction of four City Council seats.
- Reducing the number of Council members will likely require voter approval through a ballot measure.

### **Reduce Size of City Council**

- FY 2019 Savings - \$26,000
- Cumulative Savings through FY 2023– \$130,000

# The Need to Reduce Expenditures:

## *Contribute Minimum Library Appropriation*

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- The Salem Free Public Library is a municipal library that receives financial support from the City. Pursuant to NJSA 40:54-8, the City has a dedicated municipal library tax rate and is required to appropriate a minimum of \$44,315 for 2018.
- However, the City has appropriated \$71,500 to the library each year from 2015 to 2017. The same amount is budgeted for 2018.
- If Salem reduced its library appropriation to the minimum amount required, it could annually save approximately \$27,000.
- The County does not have a robust library system; many of the services are performed through a bookmobile.
- The Library provides valuable services to the community; however, the City's structural imbalance likely requires at least a short-term reduction in this expenditure.

### **Contribute Minimum Annual Library Appropriation**

- FY 2019 Savings - \$27,185
- Cumulative Savings through FY 2023- \$136,000

# The Need to Reduce Expenditures:

## *Convert Streetlights to LEDs*

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- More than half of the City's electricity expenses are for street lighting. This expense is projected to increase by 15% over the five-year period.
- Salem could consider converting its streetlights to LEDs to improve energy efficiency and reduce electricity expenses.
- The New Jersey Board of Public Utilities has recently awarded other New Jersey municipalities with grants to implement LED technologies.
  - Atlantic City upgraded nearly 9,000 of its streetlights to LED bulbs at no cost to the City in 2017.
  - Hammonton replaced 1,449 streetlights with LEDs and reduced its annual energy costs by nearly 40 percent, or \$120,000.
- Assuming Salem could achieve a 40 percent reduction in street light costs by participating in the NJ BPU grant program and converting to LED bulbs, the City could save more than \$235,000 over the five-year period.

### **Convert Streetlights to LEDs**

- FY 2019 Savings - \$25,000
- Cumulative Savings through FY 2023- \$235,000

# What Salem Can Do:

## *Improve Operational Sustainability*

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- As part of an overall strategy to move the City forward, Salem needs to build and maintain a strong senior management team to enact the strategies to achieve fiscal sustainability outlined in this Plan.
  - This team will carry out the plan as established by the Mayor and Council, and ensure continuity of operations between elections.
- While strengthening Salem's core capacity will require the support of partners, there are a number of actions that Salem can take on its own:
  - Hire a Municipal Clerk that meets State statutory requirements.
  - Plan for and hire CFO and Tax Collector successor(s), ensuring opportunity and timeline for knowledge transfer.
  - Hire a Economic and Planning (Commerce) Director or hire a Business Administrator that can allocate a portion of their time to economic development.
  - Update the ordinance for the Business Administrator position.

# The Need to Improve Operational Sustainability:

## *Eliminate Future Systems Payment*

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- The City awarded a contract to a private company, Future Systems, to manage the ongoing administration and management of the City of Salem's Vacant Property Registration System.
- The consultants are also responsible for updating ordinances, and working with the inspections and permits department and maintaining the property maintenance system.
- If the City eliminates this contract by bringing the work in-house to existing or proposed City staff, it could save \$43,000 annually.
- This could be a responsibility of the proposed economic development professional or the Business Administrator.

### **Eliminate Future Systems Payment**

- FY 2019 Savings - \$43,000
- Cumulative Savings through FY 2023– \$215,000

# The Need to Improve Operational Sustainability:

## *Share Municipal Clerk Services*

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- Salem does not have a certified municipal clerk who meets the requirements of NJ Statute 40A:9-133. The City is one year away from the three year maximum for having an uncertified clerk. The certification process takes two to three years to complete.
- The City recently hired an unlicensed acting clerk at an annual salary of \$42,000 and a part-time licensed clerk at \$8,000, bringing the total annual salary for the clerk functions to \$50,000.
- According to NJ Statute 40A:9-133, the requirement of a certified clerk can be filled through a shared services agreement.
  - The Borough of Oaklyn and the Borough of Audubon share a municipal clerk. Audubon pays Oaklyn \$18,500 annually for clerk services.
- Because the length of the certification process exceeds the one year Salem has left to hire a certified clerk, the City could pursue a municipal clerk shared services agreement with another municipality for an annual amount of \$25,000.

### **Share Municipal Clerk Services**

- FY 2019 Savings - \$26,000
- Cumulative Savings through FY 2023– \$136,000



# The Need to Improve Operational Sustainability: *Consolidating Positions*

- The City is anticipating upcoming personnel changes for mandatory positions:
  - The Economic Development position is vacant. The City could consider shifting economic development responsibilities to the Business Administrator position at a net annual cost of \$13,000.
  - The CFO/Tax Collector is retiring and the position(s) will need to be filled.
  - A new Municipal Clerk has just been hired.
- These changes represent an opportunity for shared positions with cost savings as the positions are filled.

Title	Current EE	Required EE	Proposed EE
Business Administrator	1	1	1
Economic Development Coordinator	0	1	
CFO/Tax Collector	1	2	1
Municipal Clerk	1.5	1	1
<b>Total Employees</b>	<b>3.5</b>	<b>5</b>	<b>3</b>

## Add Economic Development Functions to BA Position

- FY 2019 Cost - \$13,000
- Cumulative Cost through FY 2023– \$65,000



# **Fiscal Sustainability for Salem:** ***The Need for Partnerships***

# Salem's Need for Partnerships

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- Because Salem cannot achieve fiscal or economic sustainability on its own, it needs committed partners to help reverse decades of decline.
- Salem's partners must include:
  - The State of New Jersey
  - Salem County
  - The Salem Public Schools
  - Local businesses and non-profits
  - Salem's community organizations, such as Stand up for Salem
- This section identifies a series of initiatives that will require the participation of partners in order to achieve implementation.

# The Need for Partnerships

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It is paramount that Salem has the support of State and County partnerships to fully pursue the opportunities to achieve fiscal sustainability detailed on the following slides.

To achieve fiscal sustainability and protect against further tax base erosion, the Salem Plan focuses on the following areas for partnership:

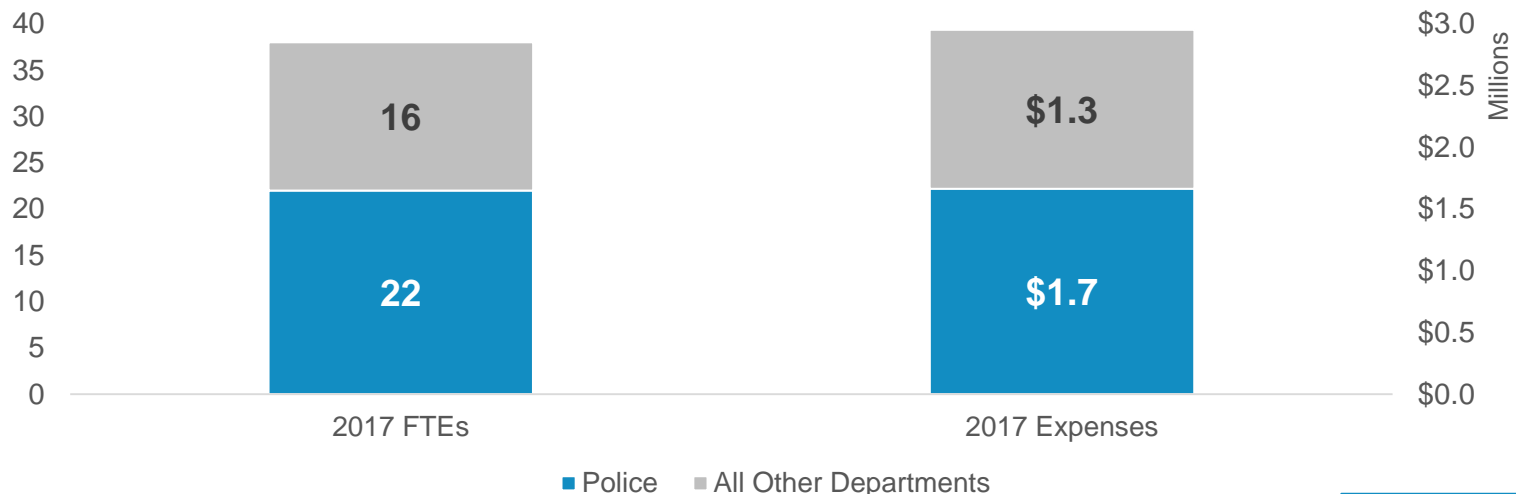
- **Public Safety:** The Police Department made up 56 percent of Current Fund departmental spending in 2017. Without reducing costs in this area, structural balance will be nearly impossible to achieve.
- **Shared Services, Regionalization, and Efficiency:** Finding more efficient models of service provision will also help the City address its budget constraints.
- **Economic Development and New Revenue:** The City and its partners cannot overlook opportunities to leverage existing assets or generate additional revenue.

# The Need to Focus on Police:

## *More than Half of all City FTEs are Police Officers*

- Police FTEs comprised more than half of Salem's total Current Fund FTEs in 2017.
- Police department expenditures were also higher than the combined Current Fund expenditures of all other City departments.
- With more employees and a larger budget than any other department, City leadership will need to take a hard look at the level of Police Department staffing and operations.

*2017 Current Fund FTEs and Expenses,  
Police Compared to All Other Departments*



# The Need to Focus on Police:

## *How Salem Compares to Other Municipalities*

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### Police Department FTEs

- Based on 2017 UCR data, Salem has the highest number of Police FTEs per 1,000 capita among the benchmarked municipalities.
- Salem's total number of Police FTEs is 28 percent higher than the median number per capita in the benchmarked peer group.

Municipality	2017 Total FTEs per 1000 Capita	2017 Officers per 1000 Capita	2017 Civilians per 1000 Capita
Salem, NJ	3.98	3.56	0.42
Paulsboro, NJ	3.36	3.02	0.34
Bridgeton, NJ	3.13	2.61	0.52
Woodbury, NJ	3.11	2.81	0.30
Penns Grove, NJ	3.10	2.89	0.21
Millville, NJ	2.75	2.39	0.36
Median (excl. Salem)	3.1	2.8	0.3
Rank	1 of 6	1 of 6	2 of 6



# The Need to Focus on Police:

## *How Salem Compares to Other Municipalities*

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### Violent Crime

- Salem has fewer sworn officers per violent crime than most benchmarked peers.
- Based on 2017 UCR data, Salem had 314.81 officers per 1,000 violent crimes compared to a median of 418.75 for benchmark municipalities.

Municipality	Violent Crimes per 1000 Capita	Officers per 1000 Violent Crimes
Paulsboro, NJ	4.7	642.86
Woodbury, NJ	4.7	595.74
Millville, NJ	5.7	418.75
Penns Grove, NJ	7.6	378.38
Salem, NJ	11.3	314.81
Bridgeton, NJ	10.9	238.97
Median (excl. Salem)	5.72	418.75
Rank	1 of 6	5 of 6

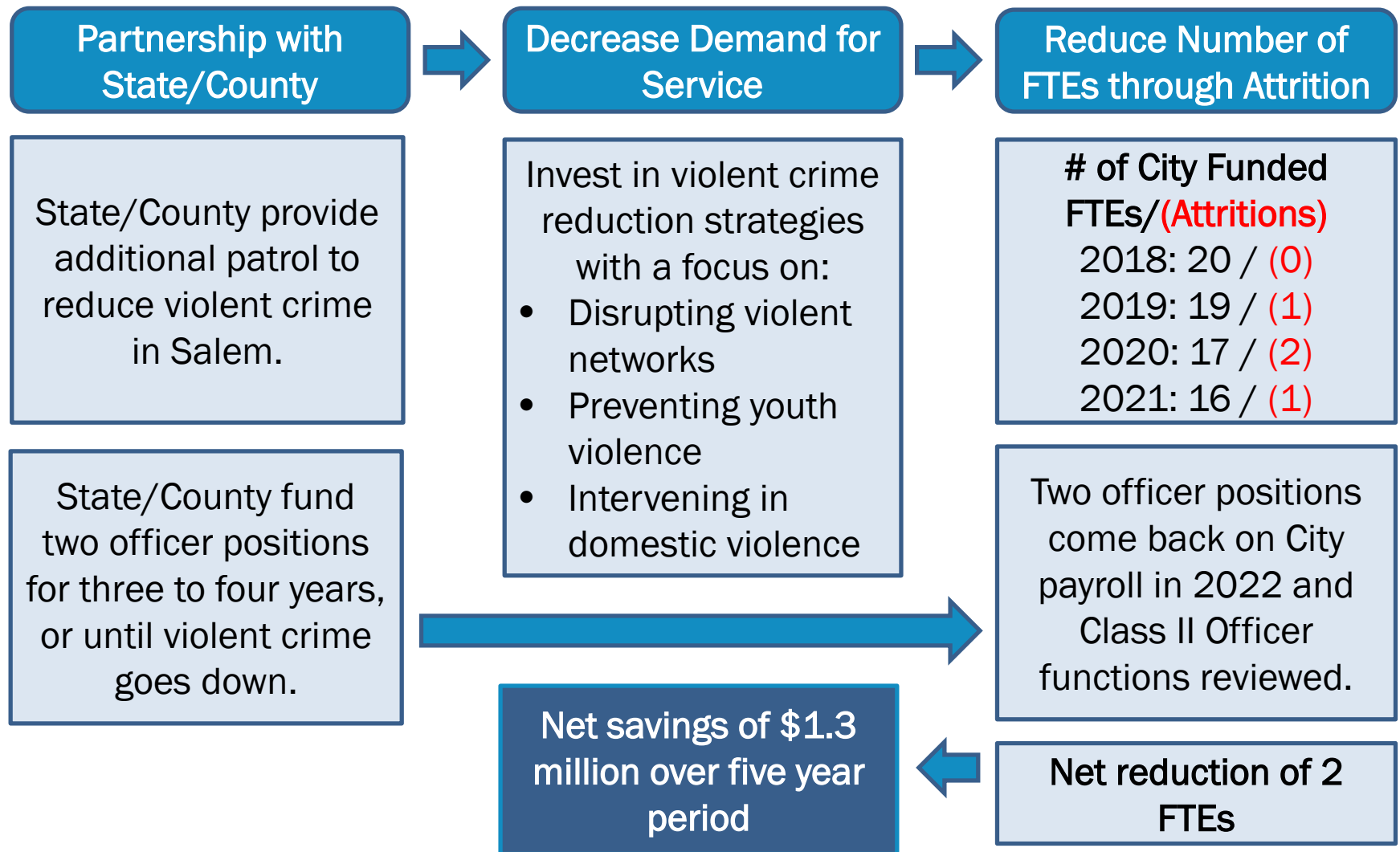
# More Efficient and Effective Public Safety:

## *The Need to Reduce Violent Crime*

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- Salem needs to reduce its level of violent crime to improve overall quality of living.
- To do so, the City needs a comprehensive public safety strategy with the interrelated components below:
  - Investment and partnership from State and County stakeholders
  - Decreasing demand for service by reducing violent crime
  - Achieving savings through attrition
- Salem cannot achieve long-term fiscal sustainability without the three components of the public safety strategy working in tandem.

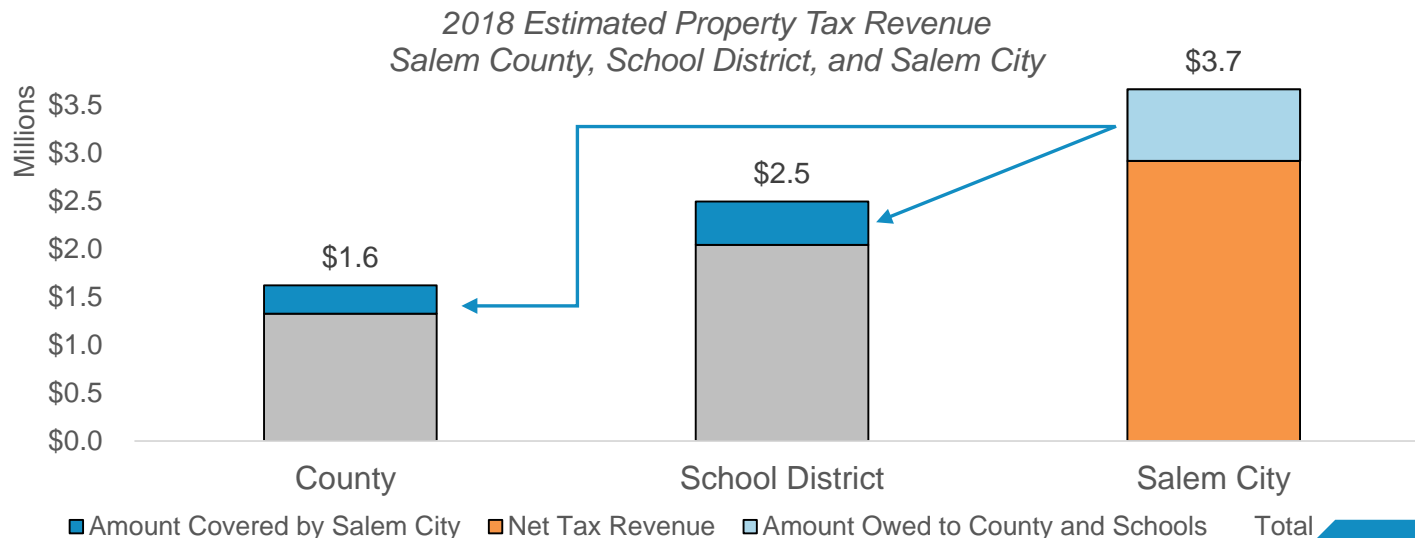
# More Efficient and Effective Public Safety: *A Three - Pronged Strategy*



# The Need to Share Services:

## *Pursue Shared Services Agreements with County/Schools*

- Despite only collecting approximately 80 percent of property tax revenue annually, Salem is required to cover the portion of uncollected taxes for Salem County and the city's school district to receive their full share of tax revenue, as shown in the chart below.
- The value of this property tax revenue “subsidy” to the County and school district totals more than 20 percent of Salem City's property tax revenue *after* the collection rate is applied – in 2018 this was \$1.54 million.
- This requirement places a significant strain on Salem's budget and greatly inhibits the City's ability to become financially sustainable.



# The Need to Share Services:

## *Pursue Shared Services Agreements with County/Schools*

- In exchange for providing 100 percent of property tax revenue, which was \$1.54 million in 2018, Salem could enter into shared services agreements with the County and School district to avoid backfilling anticipated retirements or separations.
- The City should pursue dialogue with the County and School district around duplicative functions such as IT, Public Works, Procurement, Snowplowing, Tax Assessment, Trash Collection, and other maintenance services.
- Through the attrition of public works positions and shared service agreements, the City could achieve savings of \$1.6 million over the five-year projection period.
- If shared service agreements are not enacted, however, the City may have to resort to a reduction in force, which would limit its ability to provide essential services to residents.

### **Pursue Shared Service Agreements with County/Schools\***

- FY 2019 Savings - \$240,000
- Cumulative Savings through FY 2023– \$1.6 million

\*Includes potential savings from shifting tax assessment functions to the County

# The Need for State/County Support:

## *Eliminate Finlaw Building Financial Burden*

---

- After the historic Finlaw building collapsed in 2002, the State, Stand Up For Salem, Salem County Improvement Authority, and Salem City collaborated to rebuild 52,000 square feet of new office space.
- The City guaranteed the debt on the project, which was over budget and resulted in a deficit. This transaction was approved by DCA through the Local Finance Board.
- Salem is now responsible for the annual bond repayment deficit that ranges from \$80,000 - \$100,000, not including unbilled maintenance and professional services provided by the City.
- The City cannot achieve fiscal sustainability while shouldering the financial burden of the Finlaw building.
- A looming balloon payment in the building's debt service payments greatly threatens Salem's long-run fiscal sustainability.

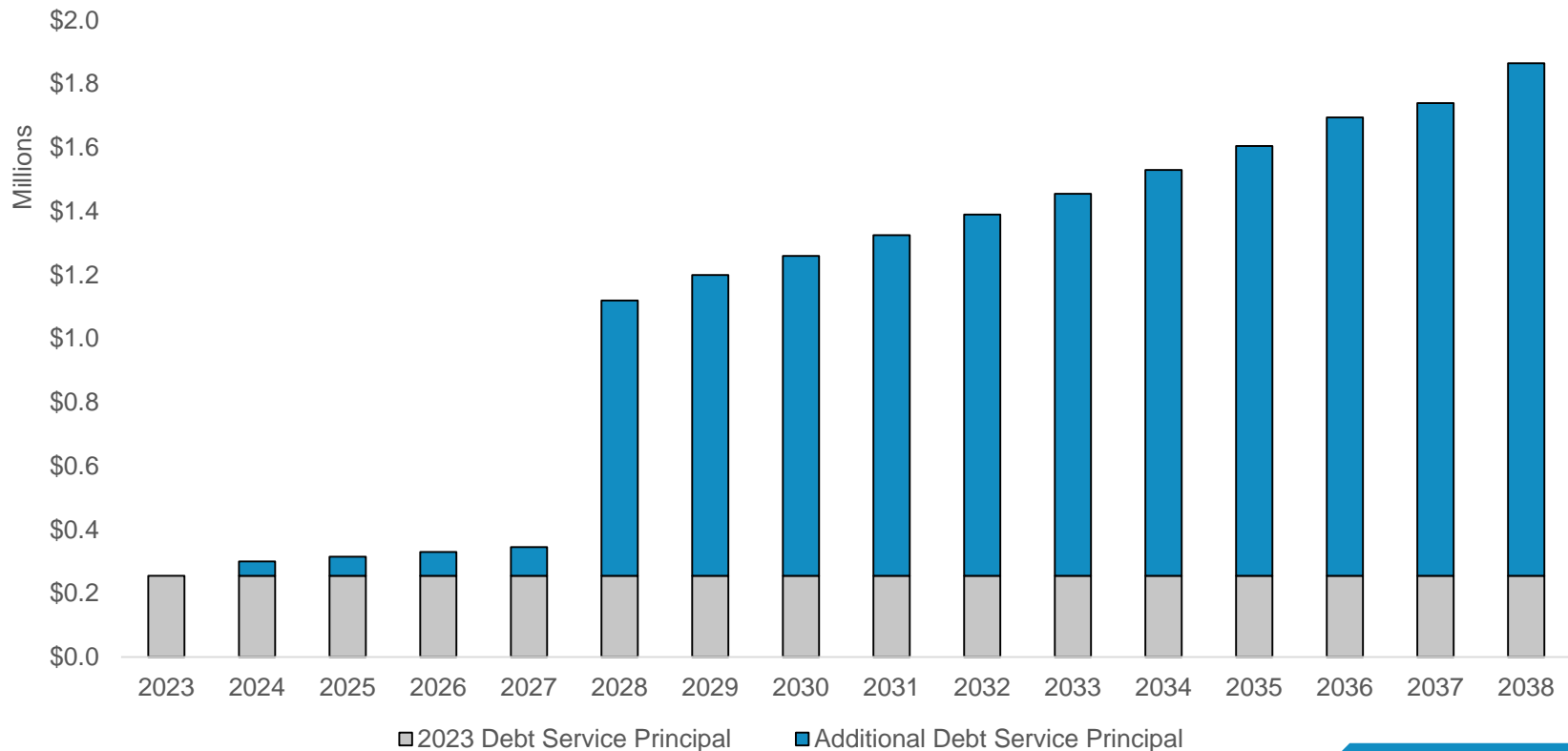


# The Need for State/County Support:

## *Eliminate Finlaw Building Financial Burden*

- The Finlaw Building debt service payments are expected to increase by **225 percent from 2027 to 2028**. Payments are projected to increase by 67 percent from 2028 to 2038.

*Finlaw Building Debt Service Schedule, 2023 - 2038*



# The Need for State/County Support:

## *Eliminate Finlaw Building Financial Burden*

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- The City recently requested that the Salem County Board of Chosen Freeholders consider using the Finlaw building as the County courthouse, rather than constructing a new building in Salem City.
- If pursued, this option could help reduce the financial burden of the Finlaw building to the City by potentially increasing lease revenue.
- The City could also consider petitioning the State to change its current lease agreement to a net lease. A net lease agreement could cover the Finlaw building's annual deficit in addition to the unbilled maintenance and professional services currently provided by the City.
- If Salem partners with the State, County, or both to eliminate the Finlaw building deficit, it could annually save approximately \$100,000 annually over the projected period.

### **Eliminate Finlaw Building Sinking Fund Deficit**

- FY 2019 Savings - \$100,000
- Cumulative Savings through FY 2023- \$0.5 million

# The Need for Economic Development:

## *Develop Salem's Tax Base*

---

- Even if Salem and its partners take every action detailed on the previous pages, the City will not be able to fully close its budget gap without growing its tax base. Although Salem's financial situation makes economic development more challenging, it is also essential to its survival.
- Despite its economic decline, Salem has had some recent success in attracting new businesses to the City
  - One company, Empire Blended, recently moved its operations to Salem and plans to offer jobs and training to Salem residents
  - Other companies have expressed interest in moving into the vacant Ardagh Glass building as well
  - The City also owns a Free Trade Zone license which it leases to the South Jersey Port Company, located in Salem. The City has been exploring ways to increase the revenue it receives through the license and ways it can better leverage the Port as part of an economic development strategy

# The Need for Economic Development:

## *Reduce In-Rem Foreclosure Spending as Tax Base Grows*

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- Salem cannot achieve fiscal sustainability without economic development action that spurs tax base expansion.
- As the City begins to grow its base and improve property tax collections, it could aim to reduce its annual spending on in-rem foreclosures by 50 percent starting in 2021.
- Combined with tax base expansion of three percent annually in 2022 and 2023, the cumulative fiscal impact to the City would be approximately \$0.5 million.

### Reduce In-Rem Foreclosure Spending and Expand Tax Base

- FY 2021 Savings - \$29,000
- Cumulative Savings through FY 2023– \$0.5 million

# The Need for Economic Development:

## *Develop Salem's Tax Base*

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- In order to develop the existing tax base, Salem should take the following actions:
  - Continue to grow the base by attracting new business and residents to Salem
  - Collaborate with the South Jersey Port Corporation on ways the Port can help support the City of Salem economically
  - Develop strategies to reduce the number of tax liens, such as developing a land bank or partnering with Salem County to explore regional strategies
- **The Network has developed a comprehensive economic development action strategy to serve as a blueprint for the City to grow its tax base. This plan is directly connected to the financial plan, forming a comprehensive strategy to move Salem toward a sustainable future.**

# Initiative Impact Summary

- The table below shows the annual and total fiscal initiative impact:

Initiative	Annual Fiscal Impact					Total Fiscal Impact 2019-2023
	2019	2020	2021	2022	2023	
Share Services with School & County	\$207,265	\$310,898	\$310,898	\$310,898	\$310,898	\$1,450,855
Increase Collection Rate by 5% by 2023	\$88,681	\$178,303	\$267,924	\$357,546	\$447,167	\$1,339,621
Public Safety Strategy	\$83,283	\$299,848	\$433,131	\$231,015	\$256,015	\$1,303,292
Increase Employee Share of Health Insurance	\$130,709	\$137,245	\$144,107	\$151,312	\$158,878	\$722,252
Finlaw Building Net Lease	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$500,000
Convert Streetlights to LEDs	\$25,168	\$52,685	\$52,781	\$53,223	\$54,556	\$238,412
Eliminate "Future Systems" Contract	\$43,000	\$43,000	\$43,000	\$43,000	\$43,000	\$215,000
Tax Assessment Shifted to County	\$33,083	\$33,288	\$33,498	\$33,712	\$33,931	\$167,512
Contribute Minimum Library Appropriation	\$27,185	\$27,185	\$27,185	\$27,185	\$27,185	\$135,925
Shared Service Agreement for Licensed City Clerk	\$26,000	\$26,000	\$26,000	\$26,000	\$26,000	\$130,000
Reduce Size of City Council	\$26,264	\$26,264	\$26,264	\$26,264	\$26,264	\$131,318
Decrease In-Rem Foreclosure Spending	\$0	\$0	\$29,381	\$30,036	\$30,706	\$90,123
Add Economic Development Functions to BA Position	(\$13,000)	(\$13,000)	(\$13,000)	(\$13,000)	(\$13,000)	(\$65,000)
<b>Total Initiative Impact</b>	<b>\$777,638</b>	<b>\$1,234,715</b>	<b>\$1,494,168</b>	<b>\$1,390,191</b>	<b>\$1,514,600</b>	<b>\$6,411,311</b>
<b>Net Deficit with TA at 85% of Prior Year</b>	<b>(\$721,223)</b>	<b>(\$1,035,809)</b>	<b>(\$1,317,728)</b>	<b>(\$1,515,465)</b>	<b>(\$1,762,751)</b>	<b>(\$6,352,976)</b>
<i>Total Initiative Impact less Deficit</i>	<i>\$56,416</i>	<i>\$198,905</i>	<i>\$176,440</i>	<i>(\$125,274)</i>	<i>(\$248,151)</i>	<b>\$58,335</b>
<i>Base Expansion in Years Four and Five</i>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$134,447</b>	<b>\$272,927</b>	<b>\$407,373</b>
<b>Net Impact with Base Expansion</b>	<b>\$56,416</b>	<b>\$198,905</b>	<b>\$176,440</b>	<b>\$9,173</b>	<b>\$24,775</b>	<b>\$465,708</b>

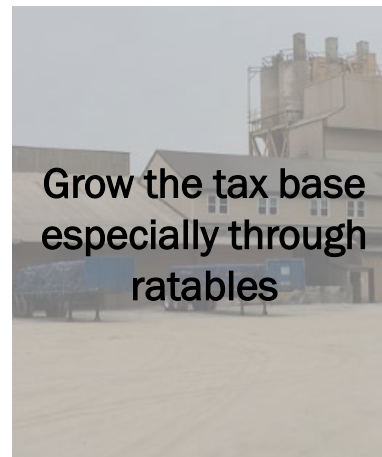
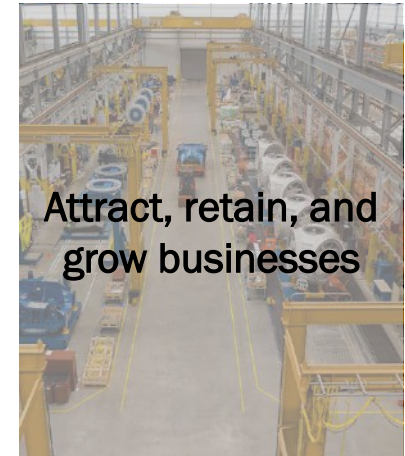




# An Economic Development Strategy for Salem

# Economic Development Goals

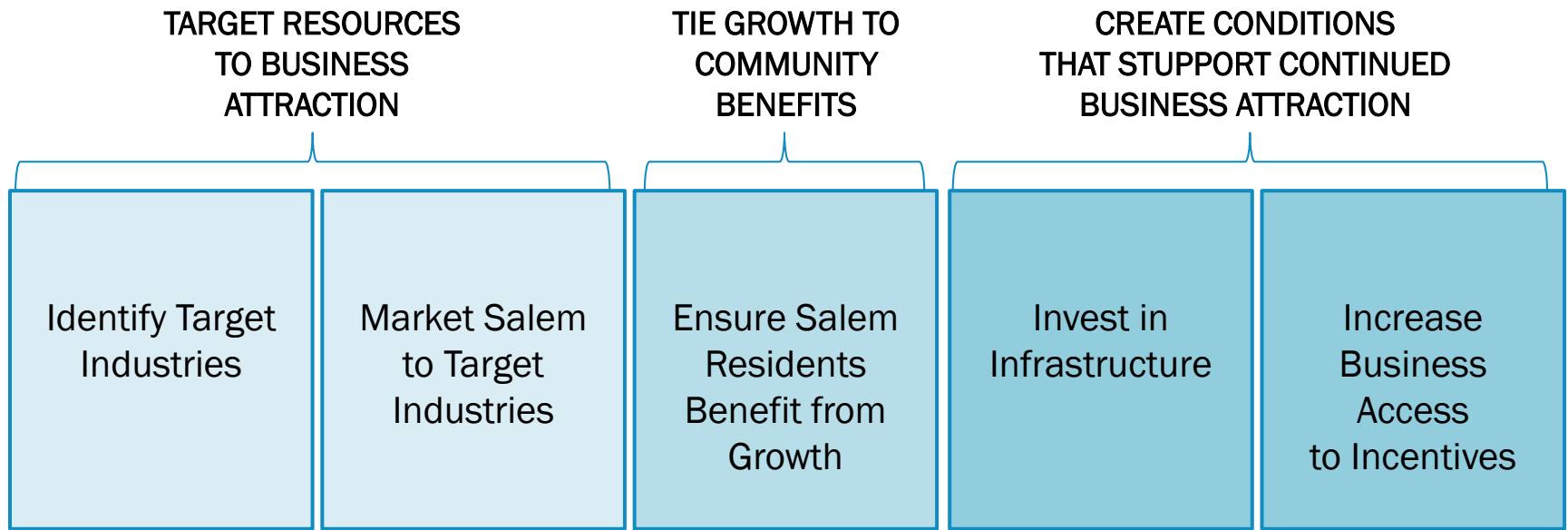
- Achieving fiscal sustainability requires an economic development strategy that successfully reverses the deteriorating employment base and increases property values and City revenues.
- The plan has four goals:
  - Attract and retain permanent residents and workers to create an adequate supply of potential employees.
  - Attract and retain new businesses
  - Increase the existing tax base and grow ratables that will provide meaningful contributions to the City.
  - Implement the plan in a way that is sustainable and produces equitable and just impacts for residents



# Economic Development Strategy

## *Strategic Initiatives*

- To accomplish Salem's core economic development goals, the NRN Team has identified five key initiatives that form the foundation of a successful strategy for revitalizing Salem.
- The strategy should begin with targeting resources towards business attraction, then shift to ensuring that Salem residents benefit from job growth, and finally focus on creating the conditions that continue to support business attraction.





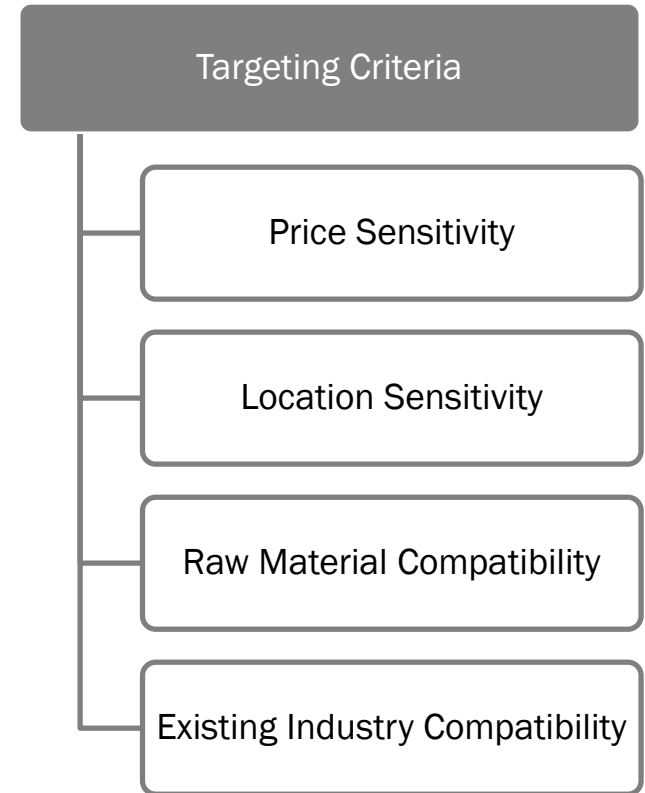


# Initiative 1: Identify Target Industries for Salem

# The Need to Identify Target Industries:

## *Establish Targeting Criteria*

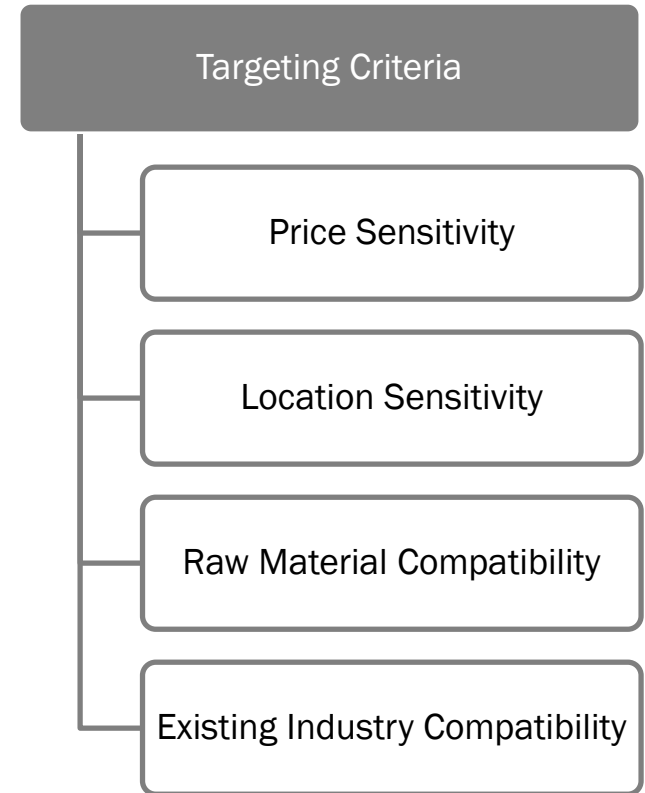
- The City of Salem has limited resources to invest in business recruitment. To ensure that the City generates the maximum impact possible, it is crucial that it target its efforts to focus on those industries that are most likely to be attracted to Salem's assets. The NRN team has identified four key criteria for the City of Salem to identify and select industries for targeted recruitment:
  - **Price Sensitivity** Industries with low margin products who would be significantly motivated by access to affordable land and the potential for a wide array of public subsidies. (for further details of price sensitive industries, see page 127 in appendix)
  - **Location Sensitivity** Industries that depend on timely access to consumers either because of product perishability or the critical nature of speedy delivery, and that would therefore benefit from Salem's access to mid-Atlantic markets. (for further details of location sensitive industries, see page 128 in appendix)



# The Need to Identify Target Industries:

## *Establish Targeting Criteria*

- **Raw Material Compatibility:** Industries that are attracted to the raw materials that are produced in and around Salem and due to the nature of production or the cost prohibitive nature of transportation need to locate close to the source of those inputs. (for further details of industries with raw material compatibility, see page 129 in appendix)
- **Existing Industry Compatibility:** Industries connected either upstream or downstream to other industries that currently operate in the vicinity of Salem. These generally either supply to or purchase from these sectors and could gain efficiency benefits from collocating nearby. (for further details of industries that are compatible with existing industries, see page 130 in appendix)





# The Need to Identify Target Industries:

## *Key Industries to Focus On*

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- Using a set of industry selection criteria that includes price sensitivity, location sensitivity, raw material compatibility, and existing industry compatibility, the NRN team identified nine key industries for the City of Salem to prioritize in its business recruitment and marketing efforts. It is crucial for the City to direct its limited resources and efforts towards the sectors that are most likely have needs that are compatible with Salem's offering and these industries represent prime candidates.
- To advance this strategic focus, the NRN Team recommends the City research and identify candidate firms within each of these target industries. This will allow Salem to further refine and direct their focus.

Fabricated  
Metal  
Manufacturing

Machinery  
Manufacturing

Food &  
Beverage  
Manufacturing

Cold Storage &  
Warehousing

E-commerce  
Distribution &  
Logistics

Concrete &  
Cement  
Manufacturing

Building  
Material  
Manufacturing

Construction &  
Construction  
Support  
Services

Basic Chemical  
Manufacturing



# Initiative 2: Market Salem to Target Industries

# The Need to Market Salem to Target Industries:

## *Develop a Marketing Strategy*

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- The City of Salem has made impressive progress recruiting at least one substantial new employer to the area and receiving soft commitments from several others.
- These major milestones have been achieved primarily through the leadership and dedication of Mayor Washington and his administration. Under his direction, Salem managed to distinguish itself from surrounding competitors by employing a tenacious recruitment effort and a commitment to personal cooperation with potential firms.
- This marketing strategy has been one of Salem's greatest strengths and according to companies like Empire Blended Products, Inc. was a core reason behind their final decision to commit to Salem.
- However, in the long-term this approach is unsustainable because it is dependent on the actions and in many ways personal charisma of elected individuals. It is essential that an effective marketing strategy be codified to ensure continuity of business recruitment potential from administration to administration.



# The Need to Market Salem to Target Industries:

## *Develop a Marketing Strategy*

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- An effective strategy for marketing Salem to target industries needs to prioritize two fundamental tasks to ensure Salem can sustain the recent momentum they have achieved. The City should:
  - **Create Marketing Materials:** Develop a suite of communication materials that support outreach efforts as well as develop a digital presence for disseminating information to prospective firms.
  - **Outreach & Site Visits:** Invest in building relationships with prospective companies through consistent personal contact with potential firms and industry associations.

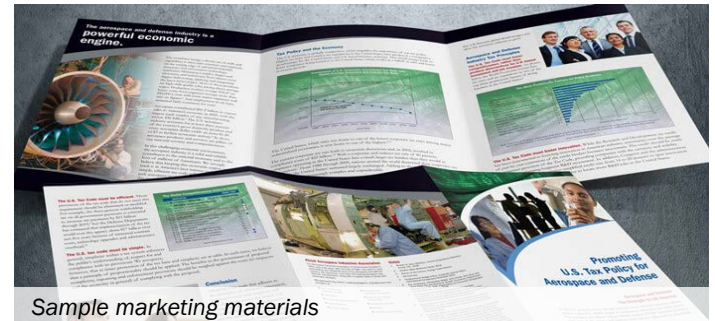


# The Need to Market Salem to Target Industries: *Create Marketing Materials*

- The City of Salem should develop an arsenal of essential communication materials that efficiently and concisely convey all relevant information about Salem to prospective businesses. This suite of materials may include pamphlets, flyers, brochures, or other mediums that help anyone representing the city's interests to promote the City of Salem's assets and value to business.
- **Outreach Tools:** These should include information on market access, including key transportation linkages, routes, and proximity to nearby markets, as well as information on Salem's workforce and workforce partners and programs.
- **Website:** All of the content listed above should be available on a website to ensure it is easily accessible to potential industries. This could be hosted in partnership with other groups that promote the Salem region, such as the Salem County Chamber of Commerce.



Website



Sample marketing materials



Salem County Chamber of Commerce Website



# The Need to Market Salem to Target Industries:

## *Outreach & Site Visits*

- One of the most effective tactics that Mayor Washington and his administration utilized to recruit new firms to Salem was in-person outreach.
  - For example, their site visit to Empire Blended Products, Inc. was crucial to the firm's final decision to locate its next facility in Salem.
- The City of Salem should continue this tactic and commit to ongoing communication with prospective firms as well as industry associations and organizations, and state departments and partner organizations like Choose NJ. This will allow the City to assess whether potential firms align with City goals and give prospective firms assurance the City understands their operations, needs, and potential impacts.



*Business handshake*



*Mayor Washington at the 2013 Mayoral Address*



*Advanced manufacturing plant site tour*

# The Need to Market Salem to Target Industries:

## *Outreach & Site Visits*

- As part of this ongoing effort, the City should continue the following strategies:
  - **Industry Outreach:** This may include direct outreach to specific companies as well as contact with leading industry associations or business collectives with multiple members.
    - Ongoing outreach can be effective in ensuring that officials stay up to date with industry shifts and changing needs that align with Salem's goals, as well as keeping Salem in the minds of decision makers who may be looking for new locations.
  - **Site Visits:** The City should continue coordinating site visits to the existing facilities of potential new businesses, providing a powerful demonstration that Salem is committed to understanding industry's needs and developing a relationship based on collaboration and mutual gain.
    - It can also help the City gain first hand knowledge of an industry's operations to determine how best to meet their needs and proactively remove obstacles to relocation.



Business handshake



Mayor Washington at the 2013 Mayoral Address



Advanced manufacturing plant site tour





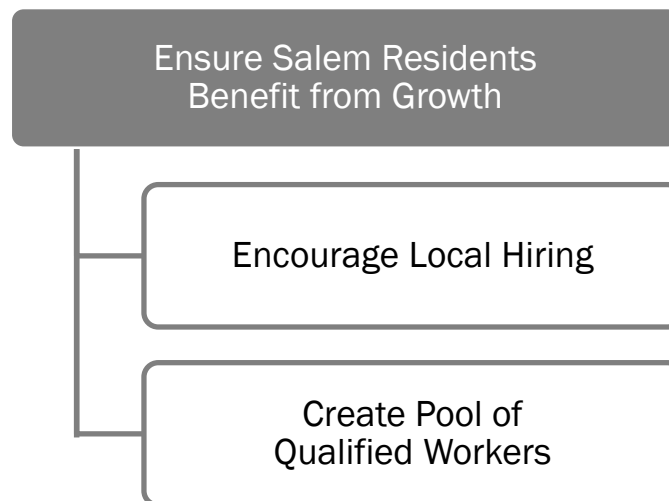
# **Initiative 3: Ensure Salem Residents Benefit from Growth**

# The Need to Ensure Salem Residents Benefit from Growth:

## *Connecting Residents to Resources*

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- To ensure that growth generates trickle down effects to the larger Salem community, it is essential that there are mechanisms in place to connect Salem residents to the benefits of growth.
- If these mechanisms are absent, even a significant amount of business growth in the community may not produce the desired impact of generating greater employment, reducing poverty, and increasing spending in the local community.
- To lift Salem residents on the rising tide of economic development growth, the NRN Team recommends a multi-pronged approach to **encourage local hiring** and create a pool of **qualified workers**



# The Need to Ensure Salem Residents Benefit from Growth:

## *Case Studies*

**Evergreen Laundry Cooperative** | The Cleveland organization Evergreen Cooperatives Corporation is an innovative and nationally recognized model for community development. Evergreen Cooperatives launches new community-owned businesses designed to provide services to existing institutions in the community while simultaneously providing jobs and wealth building opportunities to local residents by giving all employees an ownership stake in the business. One of these organizations is Evergreen Laundry Coop which was launched in 2009. Evergreen Laundry Coop is a commercial laundry specializing in hospital, nursing home, and hotel linens which was strategically designed to serve Cleveland's local institutions that were previously purchasing this service from non-local firms. The success of this model is that it harnesses the existing purchasing power of firms and redirects it to organizations committed to local hiring and local ownership.

**Baltimore Work First Foundation** | Baltimore Work First Foundation is a local chapter of national nonprofit that launched in 2009. The nonprofit's core focus is reducing recidivism through a reentry program for ex offenders that offers ongoing soft skills training and workforce readiness preparation designed to assist participants with gaining full-time employment upon their return to the workforce. So far, the program has graduated over 1,000 ex-offenders and nearly 700 have full-time employment. The training received in the program is diverse and includes literacy training, interview preparation, and workplace communication.

# The Need to Ensure Salem Residents Benefit from Growth:

## *Case Studies*

**New Haven Works** | New Haven Works is an independent nonprofit that was created to help shepherd the unemployed and underemployed in New Haven into local jobs. The program first identified 1,000 potential employees then worked with employers to obtain their commitment for different levels of voluntary agreements to hire local candidates. These ranged from designating jobs for local hires to giving the organization first access to job postings. New Haven Works also helped employers with the pre-screening of applicants which eliminated some of the logistics required by the employer to identify appropriate candidates.

**Delaware Pathways to Prosperity** | In 2014, Delaware launched a statewide skills initiative to align the state's education, training, and career resources with the talent needs of its key employers. This initiative relied on an extensive collaboration between industry representatives, K-12, community college, and higher education institutions to identify a series of concrete "pathways" into high demand career options. Industry input and participation in the crafting of these training programs ensured that the preparation students received in advance of entering the workforce matched the skills they would need on the job. The program created a steady pipeline of qualified local workers for employers to hire.



# The Need to Ensure Salem Residents Benefit from Growth:

## *Encourage Local Hiring*

- As the City of Salem successfully recruits additional businesses, it should emphasize the importance to new employers that they prioritize hiring local residents. This can be accomplished through contractual agreements or best effort commitments from the employers as well as through creative approaches to leveraging anchor institutions to increase local sourcing.
  - **Contractual Agreements & Best Efforts:** Contractual agreements include Community Benefits Agreements, contracts signed by a developer or employer to provide site-specific benefits such as a guarantee to hire a certain number of local residents. A less firm commitment Salem might secure is a best effort commitment from the prospective employer to reserve a certain number of positions for local hires or to attempt to first fill positions with local residents.
  - **Local Sourcing:** Like the Evergreen Laundry Coop model, tap into existing supply chains and the purchasing power of current institutions, by working with key anchor firms to identify opportunities for them to buy services locally. Ideally, these would be services common among multiple institutions, such as janitorial cleaning or catering.



Evergreen Laundry Cooperative employee



Evergreen Laundry Cooperative facility



Evergreen Laundry Cooperative facility

# The Need to Ensure Salem Residents Benefit from Growth: *Create Pool of Qualified Workers*

- The City of Salem should help create and sustain a talent pool of qualified workers, which requires ongoing as well as industry specific programs.
- The NRN Team recommends that the City work with the Salem Community College to leverage its GED program to provide soft skills and workforce readiness training to Salem residents on an ongoing basis. This program should be the center of an initiative that links pre-screened candidates to available jobs.
  - **Soft Skills & Workforce Readiness:** It is important for the Community College to invest in soft skills training in its GED program to teach basic levels of workforce readiness to Salem City residents.
    - This program would be similar to many reentry programs like the Baltimore Work First Foundation that focus on entry level professional skills like resume writing, time management, and professional attire dressing.



Baltimore Work First Foundation



New Haven Works



Delaware Pathways to Prosperity

# The Need to Ensure Salem Residents Benefit from Growth: *Create Pool of Qualified Workers*

- **Pre-Screening & Candidate Recruiting:** For prospective employers, the Community College could also take an active role in the often tedious logistical process of hiring.
  - This may involve positioning the GED program to pre-screen potential employees, which will reduce the risk and effort required of employers to hire City of Salem residents. This type of service is frequently provided by entities like New Haven Works.
- **Hard Skills Training:** Salem also needs to ensure its residents have access to the appropriate hard skills that align with the needs of today's and tomorrow's employers. Salem public schools and the Community College should collaborate with key industry partners to identify core skills employers need. Programs like Delaware Pathways to Prosperity are good models of training programs developed in partnership with industry.



Baltimore Work First Foundation



New Haven Works



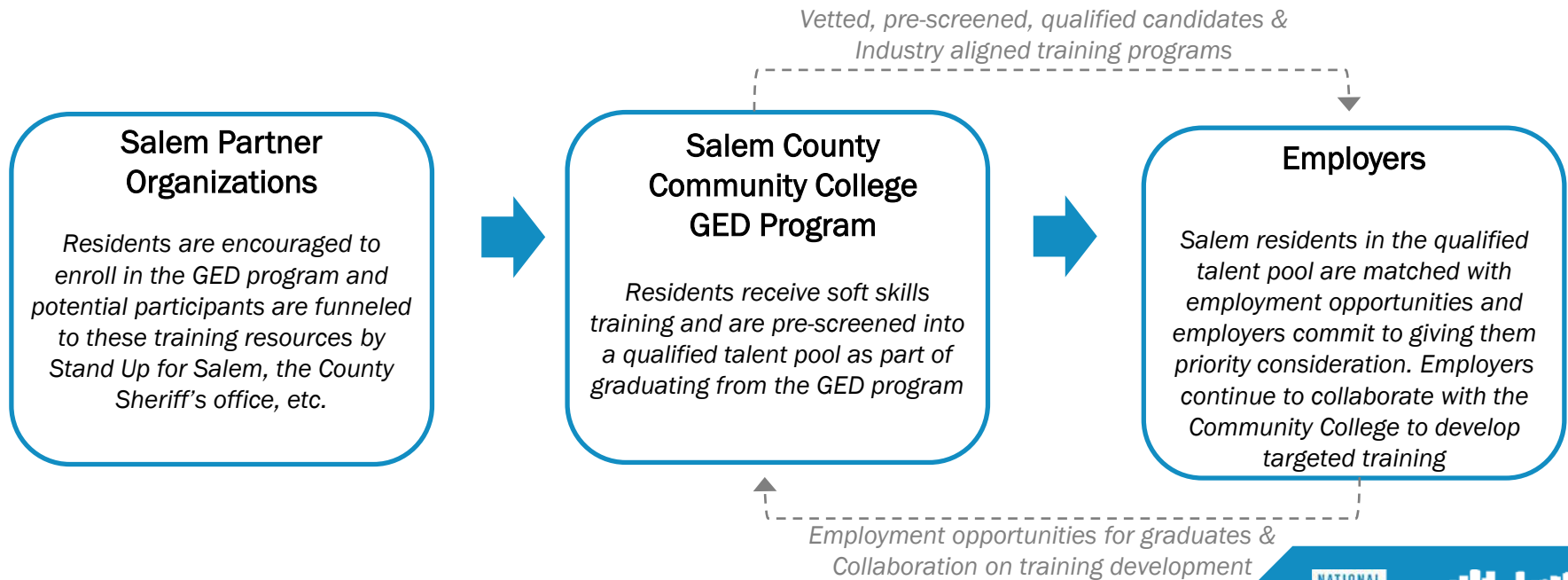
Delaware Pathways to Prosperity



# The Need to Ensure Salem Residents Benefit from Growth: *Create Pool of Qualified Workers - Process*

To facilitate the creation of a qualified pool of workers, multiple stakeholders in the City of Salem need to be involved.

- Leverage and empower partner organizations that have frequent contact with residents who could benefit from the program to funnel these residents to Salem County Community College by sharing resources and encouraging enrollment in the GED program, which would create a pool of vetted, prescreened candidates ready for entry-level positions.
- Lastly, the City should work with existing and/or potential Salem employers to secure their commitment to give priority consideration to graduates of the GED program for any new hiring. The promise and evidence of available employment then helps reinforce the program and drives more residents to make use of it.





## Initiative 4: Invest in Infrastructure

# The Need to Invest in Infrastructure:

## *Utilize Recommendations in SJTPO Report*

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- Isolation from major transportation infrastructure is one of the biggest impediments for growth in the City of Salem. However, with properly directed investments in the Port, rail, and road facilities, Salem has the potential to unlock its unique value proposition: **immediate access to both maritime and ground transportation networks.**
- In May 2018, the South Jersey Transportation Planning Organization (SJTPO) published The Port of Salem Corridor Freight Rail Intermodal Study, which proposes a program of infrastructure improvements with the objective of increasing commercial activity and related economic development.
- The NRN recommends prioritizing the recommendations in the SJTPO report that have the potential to be relatively quick wins, which are those with the combination of the highest projected impact and the highest probability of implementation. Completion of these critical initial projects will better position Salem to undertake the other larger scale infrastructure improvements outlined in the report. (A more comprehensive list of Salem's infrastructure needs and possible funding sources can be found on pages 131 to 139 in the appendix)

Complete  
Upgrades to  
Salem Branch  
Rail Line

Channel  
Maintenance  
Dredging to 16'

Conduct Survey  
of Port Facilities

Complete Rail  
Connection  
to Port

# The Need to Invest in Infrastructure:

## *Complete Upgrades to Salem Branch Rail Line*

- The Salem Branch is the City of Salem's connection to regional rail freight networks. It is currently in poor physical condition, but plans are underway to upgrade the entire line to a classification which would accommodate industry standard rail cars
- The total cost of the project was estimated to be \$6.7M. In FY 2018, \$6M in funding for the project was secured from NJ Rail Freight Assistance Program, leaving a \$0.7M gap.
- Although originally anticipated to be complete by the first half of 2018, it has suffered from repeated delays. The NRN Team recommends that the City and County of Salem make it a top priority to remove any roadblocks and ensure project completion as soon as possible.
- The remaining \$0.7M gap to complete the Salem Branch could be funded from federal sources such as INFRA (formerly FASTLANE) or BUILD grants (formerly TIGER), the National Highway Freight Plan, and the EDA's Economic Adjustment Assistance Implementation Grants. The original \$6.0M came from State funding sources, the NJ Rail Freight Assistance Program and the NJ Local Aid.

**Funding Gap: \$0.7M**

### Funding Opportunities

- INFRA Grants
- BUILD Grants
- National Highway Freight Plan
- Economic Adjustment Assistance



Southern Railroad of New Jersey

# The Need to Invest in Infrastructure:

## *Channel Maintenance Dredging to 16'*

- The Port presently functions as a “niche” port, mostly dedicated to barging due to its low depth of 16 feet.
- Due to federal funding limitations, maintenance dredging happens every 7 years, instead of every 2 years as is recommended.
  - The most recent maintenance dredging was completed in early 2018. Regular maintenance of the channel is needed to support shipping activity.
- The cost of periodic maintenance dredging to keep the channel at 16' is estimated by STJPO to be \$6 million. The funding could come from the Harbor Maintenance Trust Fund, which funds the USACE's operations and maintenance activities.
- The City should start working with the State, supported by the South Jersey Port Corporation as the local lead agency, to secure federal funding from the Harbor Maintenance Trust Fund, to ensure maintenance dredging happens at the recommended rate of every 2 years.

**Projected Cost: \$6M**

### Funding Opportunities

- Harbor Maintenance Trust Fund



River view of the Salem Port



# The Need to Invest in Infrastructure:

## *Conduct Survey of Port Facilities*

- Although the main terminal has been leased to a private entity, the Port of Salem currently has vacant warehousing space available, as well as other facilities which are in a state of disrepair.
- This situation limits the Port's capabilities of handling certain types of cargo. A survey of existing facilities is needed to identify possible upgrades and to create an implementation plan to return these spaces to productive use.
  - The costs of such a survey and the upgrades would be relatively low, and would help the Port support increased shipping traffic.
- The NRN Team recommends Salem to work with the South Jersey Port Terminal, as the primary agency in charge of the Port, to seek funding from federal and state programs.
- Both EDA sources and the SJPC's funds could be used for the survey of the pier and existing facilities, and the required upgrades. The upgrades could receive further funding from NJ Local Aid.

**Projected Cost: Low**

### Funding Opportunities

- Economic Adjustment Assistance
  - Public Works Program
    - NJ Local Aid
    - SPJC Funding



Aerial view of Salem Marine Terminal

# The Need to Invest in Infrastructure:

## *Complete Rail Connection to Port*

- An essential upgrade is needed to reestablish port-rail connectivity, by extending the Salem Branch to the Port of Salem.
- Restoring the rail-port connection would have a significant positive impact on increasing employment opportunities in Salem, as it would be an important amenity serving potential production industries.
- The County has guaranteed financial commitment to advance the port-rail connection and Salem should work with the County, who owns the Salem Branch, to plan and implement the improvements needed to restore port-rail connection.
- The project has already received State funding, from NJDOT Local Aid (Municipal and/or County Aid) and FEMA funding for the bulkhead and hazard mitigation improvements.
- EDA's Economic Adjustment Assistance and Public Works programs, INFRA & BUILD grants, and the SJPC could be additional sources of funding for the improvements.

**Funding Gap: \$3.5M**

### Funding Opportunities

- INFRA & BUILD Grants
- Economic Adjustment Assistance
  - Public Works Program
    - NJ Local Aid
    - FEMA Funding



Intersection of Broadway and Front St at the Port entrance

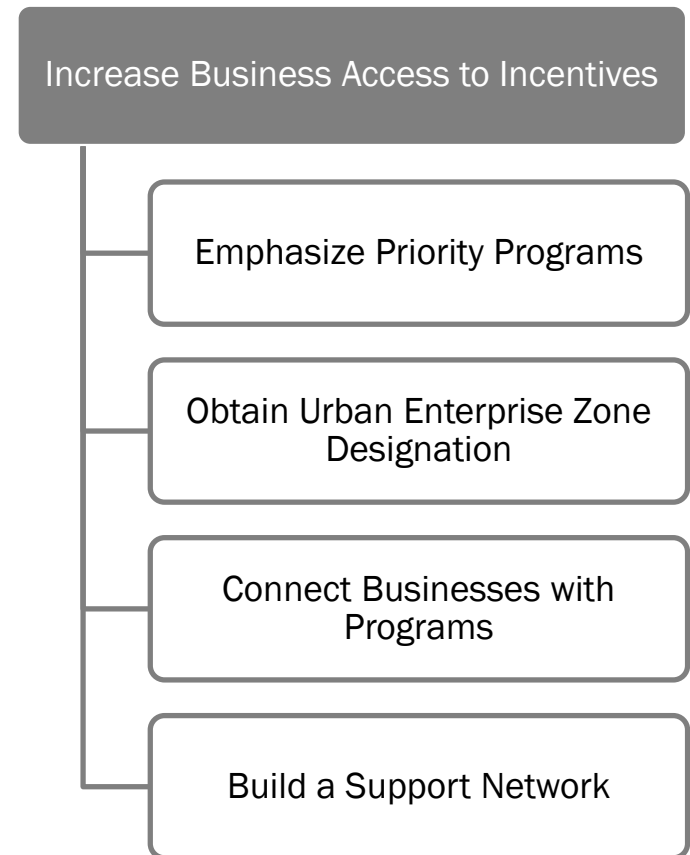




# **Initiative 5: Increase Business Access to Incentives**

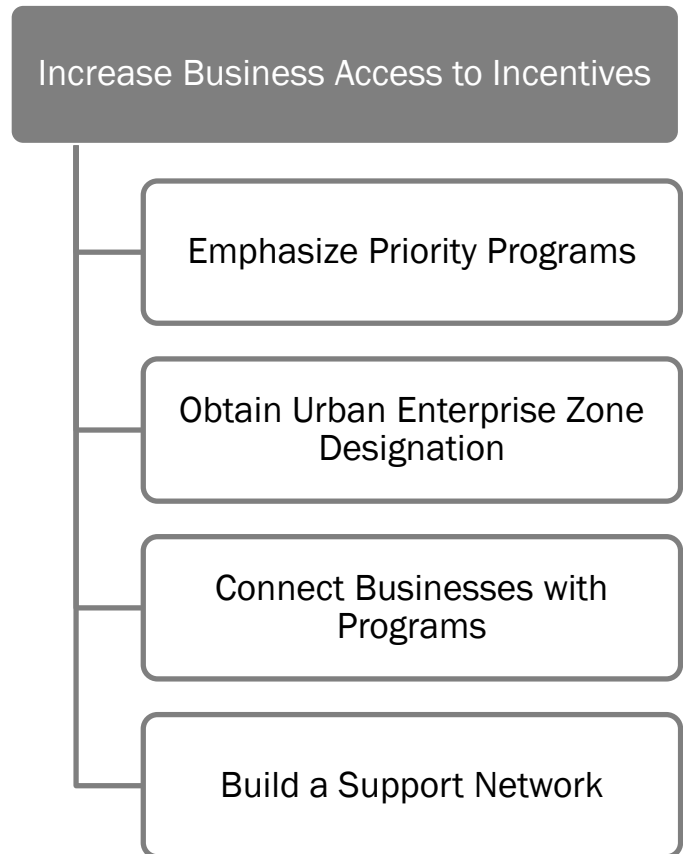
# The Need to Increase Business Access to Incentives: *Emphasize Priority Programs*

- In the face of constrained local resources, Salem will need external funding sources to revitalize its economy and attract new industries to the area.
- Fortunately, Salem is eligible for a wide array of business incentives which is an important advantage the City can offer potential companies. These incentives can come from a wide array of federal, state, and local sources and can be used to offset a variety of costs associated with upfront business investment or ongoing operations. (A comprehensive list of designations and incentives Salem is eligible for see pages 140 to 147 in the appendix)
- To maximize the impact of these existing programs, Salem should increase business access to incentives through three main strategies:
  - **Emphasize Priority Programs:** Salem is already eligible for a number of designations and incentives (a complete list is included in the appendix). All of these incentives should be marketed and used to promote Salem as an ideal location for business investment.



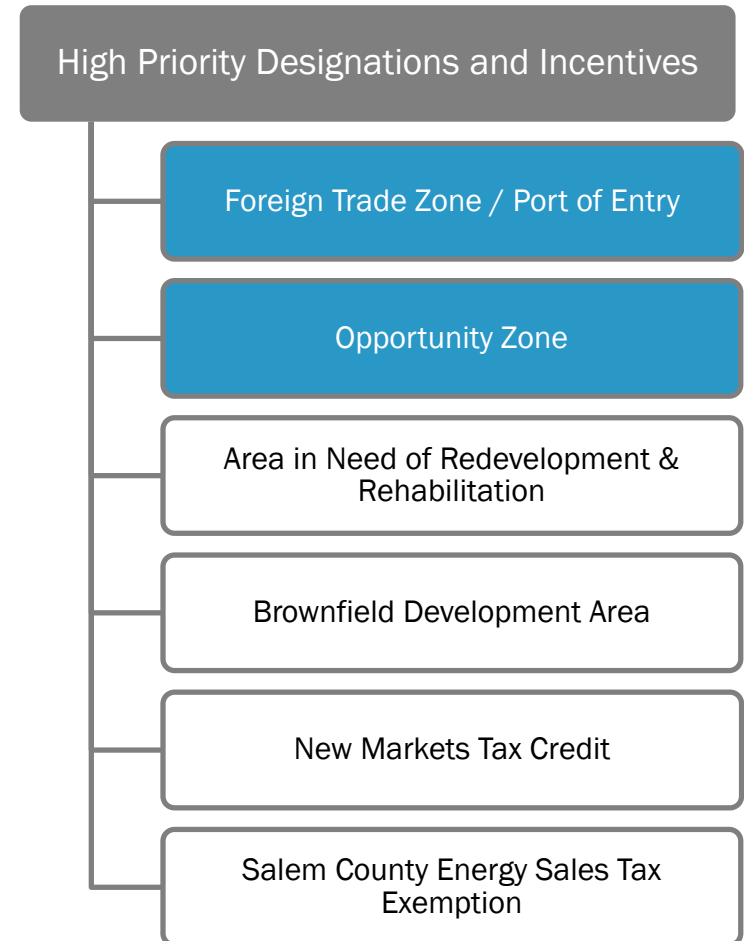
# The Need to Increase Business Access to Incentives: *Utilize Federal, State, and Local Programs*

- **Obtain Urban Enterprise Zone Designation:** Salem's suite of designations should be expanded to include an Urban Enterprise Zone designation. The City of Salem should aggressively pursue designation to expand their inventory of available incentives to include this program, since the City meets all of the required criteria.
- **Connect Businesses with Incentive Programs:** The NRN Team recommends Salem expand support services to help businesses connect with incentive programs. This may include preparing a tailored incentive packages for each industry.
- **Build a Support Network:** The City of Salem should also build a network of support at the County and State level to advocate for maintaining existing incentive programs that benefit smaller and more rural cities, and where possible expansion of benefits.



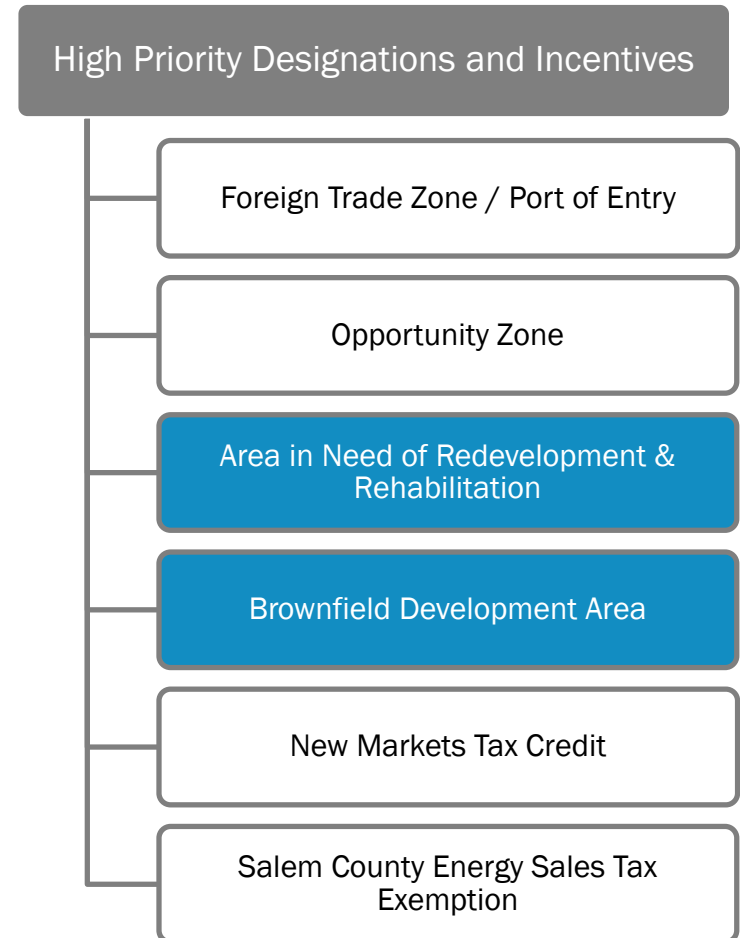
# The Need to Increase Business Access to Incentives: *Emphasize Priority Programs*

- The City of Salem currently benefits from a number of designations that differentiate Salem from regional competitors, which provide eligibility for certain financial benefits for both businesses and public entities.
- The highest priority designations and incentives are unique to this geographic location and therefore provide a competitive advantage to Salem that should be marketed when competing for business investment in Southern New Jersey.
  - **Port of Entry / Foreign Trade Zone:** A Port of Entry is a location where goods may lawfully enter the country and a Foreign Trade Zone is a geographical area where both domestic and foreign goods may enter and be re-exported without incurring U.S. duty or excise taxes.
  - **Opportunity Zone:** Opportunity Zones are a federal program designed to drive long-term capital investment into low-income rural and urban communities. They benefit investors by waiving their capital gains tax and reducing taxes by up to 15% tax break if they stay for at least 7 years.



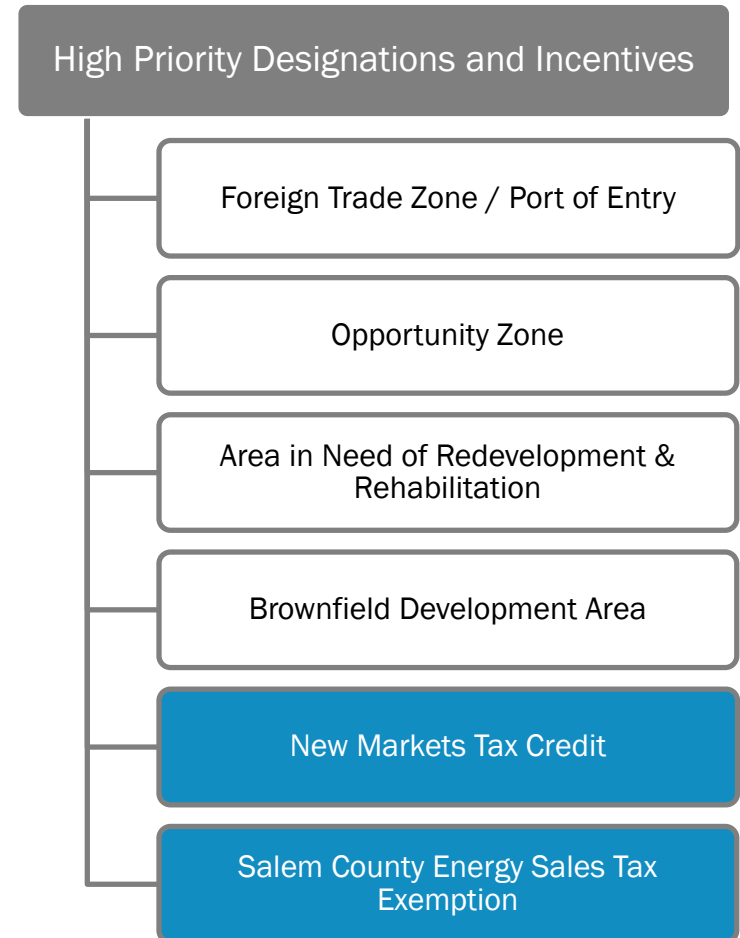
# The Need to Increase Business Access to Incentives: *Emphasize Priority Programs*

- **Area in Need of Redevelopment & Rehabilitation:** This designation provides exclusive eligibility for investments in Salem to receive long term tax abatements, which can last up to 30 years after a project's completion. The program can be used to fund the cost of community facilities which the municipality wishes the developer to construct.
- **Brownfield Development Area (BDA) :** The New Jersey Department of Environmental Protection (NJDEP) works with selected communities to design and implement remediation and reuse plans. The designation also provides funding assistance through grants awarded from the Hazardous Discharge Site Remediation Fund. The fund provides grants to public entities for 100% of investigation costs and a portion of the cleanup costs (25% to 75% depending on the end use). 230 acres of the Salem waterfront has been a designated as a BDA since 2007.



# The Need to Increase Business Access to Incentives: *Emphasize Priority Programs*

- **New Markets Tax Credit:** A credit against Federal income taxes for investors that make Qualified Equity Investments in certified financial intermediaries called “Community Development Entities” (CDEs). CDEs use the proceeds of the investments to make Qualified Low-Income Community Investments, in designated low-income communities. Salem is categorized as both “Severely Distressed” and “Non-Metropolitan”, which make it eligible for a higher portion of the funds.
- **Salem County Energy Sales Tax Exemption:** This incentive provides a tax exemption to manufacturing businesses in Salem County for the retail sales of electricity and natural gas and their transport to the facility as long as the energy and utility services are consumed on site. This helps offset the high utility costs associated with manufacturing production.





# The Need to Increase Business Access to Incentives:

## *Obtain Urban Enterprise Zone (UEZ) Designation*

- An UEZ is a designated area within a municipality which suffers economic problems. Salem's current set of designations encapsulate some of the benefits that come with being an UEZ with less stringent requirements, such as reduced sales tax (3.3125% instead of the State rate at 6.625%) and the Salem County Energy Sales Tax Exemption.
- Participation in the UEZ program provides additional benefits in financing and hiring, which makes obtaining a designation for the City of Salem a high priority. Once designated, the businesses who participate in the UEZ program apply separately to receive the benefits. These benefits are coordinated by the New Jersey Business Action Center.
- Additional benefits include: tax free purchases on certain items such as capital equipment, facility expansions, and upgrades, financial assistance from agencies such as NJEDA, subsidized unemployment insurance costs for employees who earn less than \$4,500 per quarter, tax credit operations up to \$1,500 for new permanent full-time employees hired, or up to 8% corporate business tax credit on qualified investments

### APPLICATION PROCESS



Written application to the UEZ program (should include a zone development plan)



Review (to be completed in 90 days, with a possible extension of 60 days)



If granted, municipality adopts ordinance accepting designation

<https://www.state.nj.us/treasury/taxation/ratechange/su-urban.shtml>  
[https://www.state.nj.us/treasury/taxation/pdf/other\\_forms/st450.pdf](https://www.state.nj.us/treasury/taxation/pdf/other_forms/st450.pdf)

# The Need to Increase Business Access to Incentives:

## *Connect Businesses with Incentive Programs*

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- While Salem has a robust suite of designations and incentive programs that potential industries can tap into, none of these will generate benefits for the City if they are not being utilized by prospective businesses.
- Most of the programs that Salem is eligible for are designed to be utilized by businesses rather than the local government entity. Therefore, the City of Salem should make it as easy as possible for businesses to take advantage of these benefits.
- In an effort to demonstrate Salem's willingness to support businesses throughout this process, the NRN Team recommends the **City of Salem to strive to produce custom incentive packages for target industries and/or firms.**
- These curated lists of incentive packages should respond to the unique challenges or needs of the business. Package recommendations should display the City's impressive knowledge of resources and command over the application process. Production, dissemination, and use of these materials is an opportunity for the City to engage local partnerships with other stakeholders such as Stand Up for Salem, the County, and the Chamber of Commerce.



City of Salem



Stand Up for Salem



Salem County

# The Need to Increase Business Access to Incentives: *Build a Support Network*

- New Jersey's new Economic Plan, announced in October 2018, introduces significant changes to NJEDA's incentive programs, such as Grow NJ and Economic Redevelopment & Growth (ERG), whose contributions have been critical for Salem's few successes in business recruitment.
  - Small communities like Salem are not well-positioned to benefit from the new programs which will replace Grow NJ and ERG. (see pages 141 & 142 in the appendix)
- As a result, it is imperative that the City and County of Salem partner together in efforts to secure state resources.
- Salem should **build relationships through regular meetings with institutions** such as the NJ Department of State, NJEDA, NJ Business Action Center, the NJ Redevelopment Authority, and Choose NJ.
- Forming a coalition with other small municipalities would allow Salem to collectively communicate the region's priorities and maximize the likelihood that policies are put in place that address the City's needs.



*New Jersey Economic Development Administration*



*NJ Business Action Center*



*Choose NJ*



# Implementation: Economic Development Action Plan



# Implementation: Ec. Development Action Plan

## Initiative Action Plan

- The implementation plan for the initiatives in the economic development strategy is organized around a timeframe actions to be taken immediately (0-6 months), short-term (6 months – 2 years), medium-term (2-5 years) and long-term (5+ years).

Initiative	Action	Timeframe	Lead Entity	Partnering Entities	Goals Supported
<b>1) Identify Target Industries for Salem</b>	Curate a list of potential industries and firms within these industries	Immediate	City of Salem	Choose NJ SJEDD <sup>1</sup> , NJEDA <sup>2</sup> , NJ Business Action Center	<ul style="list-style-type: none"> <li>Attract, retain, and grow businesses</li> <li>Grow the tax base</li> </ul>
	Establish dialogue with existing employers and the region's economic development stakeholders	Short & Ongoing	City of Salem	Salem County Chamber of Commerce SJEDD	
<b>2) Market Salem to Target Industries</b>	Create marketing materials in coordination with local stakeholders	Immediate	City of Salem	Salem County Chamber of Commerce SJEDD	<ul style="list-style-type: none"> <li>Attract, retain, and grow businesses</li> <li>Grow the tax base</li> </ul>
	Organize outreach and site visits to key firms/partners	Short & Ongoing	City of Salem	Salem County Chamber of Commerce SJEDD	
<b>3) Ensure Salem Residents Benefit from Growth</b>	Encourage local hiring among prospective firms	Short & Ongoing	City of Salem	Salem Community College, Stand Up for Salem	<ul style="list-style-type: none"> <li>Attract and retain workers</li> <li>Attract, retain, and grow businesses</li> <li>Grow the tax base</li> <li>Do all of these in a just and sustainable way</li> </ul>
	Create a pool of qualified workers in the Salem community	Short & Ongoing	Salem Community College	Stand Up for Salem, City of Salem	

<sup>1</sup> South Jersey Economic Development District

<sup>2</sup> New Jersey Economic Development Administration

# Implementation: Ec. Development Action Plan

## *Initiative Action Plan*

Initiative	Action	Timeframe	Lead Entity	Partnering Entities	Goals Supported
4) Invest in Infrastructure	Rail: Complete Salem Branch	Immediate	Salem County	City of Salem	<ul style="list-style-type: none"> <li>• Attract, retain, and grow businesses</li> <li>• Attract, retain residents and workers</li> <li>• Grow tax base</li> <li>• Regional contribution</li> </ul>
	Port: Channel Maintenance Dredging to 16'	Short	USACE <sup>3</sup>	City of Salem	
	Port: Conduct Survey of Port Facilities	Short	SJPC <sup>4</sup>	City of Salem SJEDD	
	Port: Complete Rail Connection	Short	Salem County	City of Salem SJPC	
	Other Infrastructure Improvements	Medium – Long	City of Salem	Various regional and state entities	
5) Increase Business Access to Incentives	Emphasize priority programs	Immediate	City of Salem	Salem County	<ul style="list-style-type: none"> <li>• Attract, retain, and grow businesses</li> <li>• Attract, retain residents and workers</li> <li>• Grow tax base</li> </ul>
	Obtain UEZ Designation	Short	City of Salem	NJ Department of State	
	Connect businesses with incentive programs	Short & Ongoing	City of Salem	Stand Up for Salem Salem County SJEDD	
	Build a support network to advocate for Salem's interests	Immediate	City of Salem	Stand Up for Salem Salem County SJEDD Choose NJ	

<sup>3</sup> United States Army Corps of Engineers    <sup>4</sup> South Jersey Port Corporation

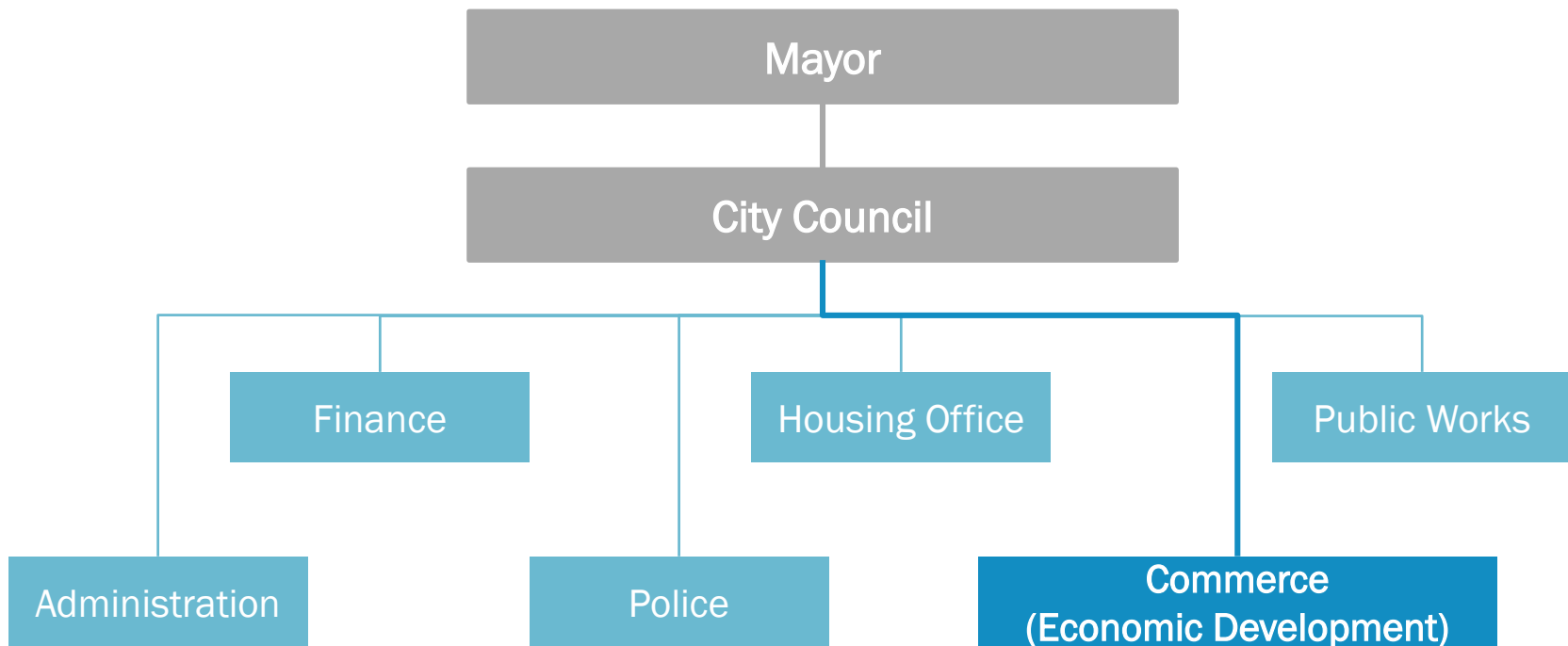


# Implementation: Ec. Development Action Plan

## *City Organization*

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- Salem's Commerce Department needs dedicated personnel and resources to further the City's economic development strategies.
- To advance these initiatives it is crucial for the Commerce Department to receive the necessary investment needed to establish itself as the designated economic development organization charged with advancing the City's interests and spearheading the five initiatives.



# Implementation: Ec. Development Action Plan

## *Resource Needed*

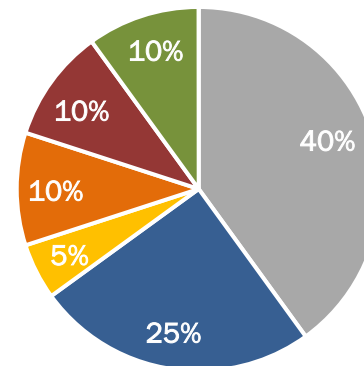
- Salem needs a dedicated, part-time employee for economic development.
- Implementation requires a permanent staff position within the City Commerce Department. This could be fulfilled in two different ways:
  - A part-time employee or contractor, hired for approximately 25 hours per week, or
  - A full-time city employee assigned 60% to economic development and 40% for other functions.



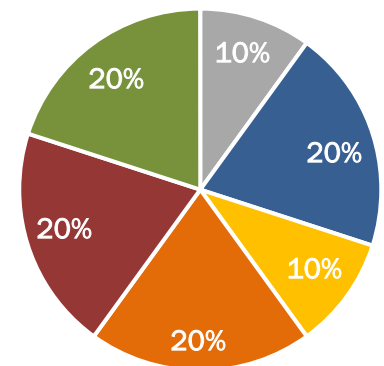
City of Salem Capacity Breakdown over Different Timeframes



Short-Term



Medium- and Long-Term



Other Work – 40% FTE capacity

Economic Development – 60% FTE capacity

# Implementation: Ec. Development Action Plan

## *Partnerships*

- To advance this economic development strategy, Salem will also need to engage in active collaboration with key partners.
- While the City and its Commerce Department may spearhead the advancement of many of these initiatives, the impact of this work is limited without coordination among numerous local, regional and state-level stakeholders.
- The NRN Team recommends Salem engage regional partners such as Salem County, the Salem County Chamber of Commerce, the South Jersey Economic Development District, the Southern Jersey Transportation Planning Organization and the New Jersey Economic Development Authority, as well as local stakeholders like the Salem Community College and Stand Up for Salem.



# Implementation: Ec. Development Action Plan

## *Partnerships*

- At the State level, two particularly important partners are the New Jersey Business Action Center and Choose NJ.
  - These two organizations are among the first entities to interact with businesses which plan to operate in the State of New Jersey.
  - With a dedicated resource to be in touch with these two organizations on an ongoing bases, Salem could ensure that they are aware of its advantages and help direct businesses in target industries towards the City of Salem.
- Coordinating at the regional and State level will provide opportunities for collaborative planning, the sharing of knowledge and resources, and implementation support, as well as the establishment of stronger collective bargaining and advocacy than Salem can achieve on its own.



# Appendix



# Project Team

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The PFM Group is an industry leading independent financial advisory, asset management, and consulting partner for municipalities, cities, schools, hospitals and other public entities. The company was founded in 1975 and currently has more than 35 locations around the country.



HR&A is an industry leading real estate and economic development consulting firm. We have 40 years of experience developing visionary solutions to revitalize cities into job-producing, community-strengthening assets.



# Industry Targeting Criteria:

## *Price Sensitivity*

### PRICE SENSITIVITY

One of Salem's most marketable assets is its abundant supply of affordable land. Salem County is 338 square miles and only 10% of the land is currently developed which means the area can offer new industries numerous opportunities for ground up development to suit their needs. The current average land sale price is also less than a dollar per square foot in Salem which is significantly lower than other areas of New Jersey. Additionally, the City of Salem has a robust inventory of former industrial properties that are ready to be put back to productive use. Salem also has unique access to a variety of incentives that business can leverage to reduce their costs. These are explored in more detail in Initiative 3 but in combination with available low-cost land availability is a powerful factor that can be promoted to attract new industry.

The industries that are most likely to be motivated by affordable land and subsidies are those with low margin products whose ability to compete is dependent on managing costs and who are impacted by the rising cost of doing business in New Jersey. A starting point for identifying these industries is to target firms that are being priced out of other regions of the state. Several sectors of New Jersey's advanced manufacturing economy meet this criteria including:

- **Fabricated Metal Manufacturing**
- **Machinery Manufacturing**

These sectors include businesses that build machines and equipment from raw metal materials for use by other industries. These industries are hypersensitive to fluctuations in cost because they generally produce large bulk orders that can be cyclical in nature.



*Aerial view of the City of Salem*



*Close up of metal fabrication machine*



*Komo Machinery Manufacturing Facility in Lakewood, NJ*

# Industry Targeting Criteria:

## *Location Sensitivity*

### LOCATION SENSITIVITY

Salem's unique geographic location within the northeast market also has several advantages that could be appealing to prospective businesses. More than 40% of the U.S. population is within a day's drive of Salem County. The region is strategically located in the central portion of the Boston – Washington D.C. Megapolis which forms the heart of the Mid-Atlantic market. The City of Salem is also strategically positioned in between the thriving markets of Philadelphia and New York City.

This strategic location is particularly appealing to industries that need to locate within close proximity to their final consumer base. This could be because the product is perishable and has a finite and limited time to reach consumers or because of an emphasis on speed of delivery and efficiency in the era of e-commerce. Promising sectors that meet this criteria include:

- **Food & Beverage Manufacturing**
- **Cold Storage & Warehousing**
- **E-commerce Distribution & Logistics**

Several nearby communities, notably Logan Township, NJ and Pendricktown, NJ have also already had some success in attracting firms in these industries. This indicates a potential for the City of Salem to offer a compelling value proposition to comparable businesses. The long-term viability of this targeting criteria is tied to advancing the critical infrastructure investments outlined in Initiative 4.



*Boston – Washington D.C. Megapolis*



*Cold storage warehouse facility*



*Food processing facility*



# Industry Targeting Criteria:

## *Raw Material Compatibility*

### RAW MATERIAL COMPATIBILITY

In addition to agriculture, which no-longer requires processing near to the harvest, one of the traditional materials produced near the City of Salem is silica sand. Mining this sand was one of the state's earliest industries and the presence of silica sand in this Salem region was directly tied to the rise of the area's historic glass manufacturing cluster. However, the sand mining industry experienced a major hit during the recession when construction plummeted. As of 2017, mining employment finally returned to pre-recession levels and while there are 150 active mining facilities many more are still inactive.

Although recovery has been slow, the quality and purity of the sand in the region is still rarely found anywhere else in the county and it satisfies the needs of a wide variety of markets. This includes construction and building materials like concrete, cement, asphalt, mortar, paint, shingles, and glass. Silica sand of this caliber is also used to create high tech electronic products like iPhones as well as a variety of athletic and sports facilities like baseball fields, volleyball courts, horse race tracks, and golf courses.

Access to this unique raw material of high quality silica sand was a major consideration factor for Empire Blended Products, Inc. and the proximity they would gain to many of the country's major sand mines and manufacturers played a considerable role in their decision to relocate to Salem. Other industries that may follow this same logic include:

- **Concrete & Cement Manufacturing**
- **Building Material Manufacturing**
- **Construction & Construction Support Services**



Sand processing facility



Sand storage facility



U.S. Silica sand containment area in Maurice River Township, NJ

# Industry Targeting Criteria:

## *Existing Industry Compatibility*

### EXISTING INDUSTRY COMPATIBILITY

The final targeting criteria that can be used to identify prospective industries for Salem are those sectors that have connections with the industrial base that currently exists in and around Salem. This could include industries upstream from the existing industry base who supply materials, products, or services to these businesses. This could also include industries that are downstream from the existing industry base who purchase products or services produced by the type of businesses that exist. These preexisting connections could generate a compelling case for prospective businesses to collocate near these industries that they depend on to increase efficiency, knowledge sharing, and other cooperative synergies that are characteristic of the agglomeration economies produces when firms operate within close proximity. A related subset of target industries may also include complementary industries that respond to the same forces as existing businesses.

A starting point for identifying prospective industries is to evaluate the key suppliers and customers of existing concrete manufacturing firms, nuclear energy firms, and agriculture firms that currently exist in the region. These firms may also identify other tangentially related firms that may not be direct suppliers or purchasers but respond to the same forces that drive their business. A promising industry for further exploration includes:

- **Basic Chemical Manufacturing**

Chemical manufacturing does exist in the area, but Salem's core industrial sectors are purchasing almost 40% of their needs from outside the region. The NRN team recommends Salem to work with existing employers to better understand what products they are purchasing from elsewhere to identify specific firms that meet these needs who may want to relocate closer to their customers.



*Cement production and manufacturing plant*



*Vegetable farm in Ridgewood, NJ*



*Active nuclear power plant station*

# Infrastructure Investment Details:

## *Short-term Interventions*

### PORT

**Ensure Regular Maintenance Dredging** | Salem's Port presently functions as a "niche" port, mostly dedicated to barging due to its low depth of 16 feet. Because of federal funding limitations, maintenance dredging currently happens every 7 years, instead of the recommended 2 years.<sup>1</sup> The most recent maintenance dredging was completed in early 2018. The City is recommended to start working with the State to secure federal funding before the next cycle.

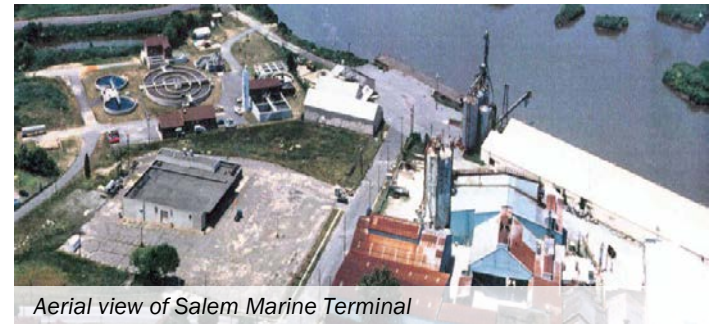
**Conduct Survey of Pier and Activate Existing Facilities** | There is currently some vacant warehousing space available, as well as other facilities which are in a state of disrepair. A survey of existing facilities is needed to identify such facilities and to create a plan to upgrade them as necessary. The costs of such a survey and the upgrades would be relatively low, and it would help the Port support increased shipping traffic.

**Restructure the Brownfield Development Area (BDA) Steering Committee** | 76 out of 142 parcels making up the Salem waterfront are located in the BDA, and the 2017 Waterfront Development Plan outlines a vision for the development of this area. The Steering Committee, comprised of industrial partners, the local nonprofits, the local government and the County, would be instrumental in seeing this plan through. They would also act as an additional point of contact for engaging County and State stakeholders, and soliciting brownfield development funding sources. However, because several key industrial partners have left the area, the NRN Team recommends the Committee to be reorganized to include new industry partners like Empire Blended Products, Inc.

<sup>1</sup> South Jersey Transportation Planning Organization (2018). *Port of Salem Corridor Freight Rail Intermodal Study Final Report*



Port of Salem sign



Aerial view of Salem Marine Terminal



River view of Salem Marine Terminal



# Infrastructure Investment Details:

## *Short-term Interventions*

### RAILROAD

**Complete Upgrades to Salem Branch Rail Line** | The rail line is in poor physical condition and has a Class 3 classification that limits operating speeds to just 5 MPH. Plans are underway to upgrade the entire line to a Class 2 classification which would accommodate industry standard rail cars with a gross weight of 286,000 pounds and would allow operating speeds up to 25 MPH. The total cost of the project was estimated to be \$6.7M. In FY 2018, \$6M in funding for the project was secured from NJ Local Freight Assistance Program, leaving a \$0.7M gap. Although originally anticipated to be complete by the first half of 2018, it has suffered from repeated delays. Since the recent recruitment of firms like Empire Blended Products, Inc. hinged on the completion of this upgrade, Salem is recommended to make it their top priority to work with the County to remove any roadblocks and complete the project as soon as possible.

### ROAD

**Enhance Truck Signage on Hook Rd.** | Salem's is currently connected to I-295 and NJ Turnpike via Route 49. This is not an ideal option for truck traffic, due to impeding factors such as a 35 MPH speed limit, five signalized intersections, bus stops, and an adjacent residential development. As an alternative truck route, SJTPO identified Hook Road, which runs parallel to Route 49 as a more convenient, safe and efficient truck route option for the Port of Salem. A relatively quick and low-cost improvement that the City is recommended to work with NJDOT towards implementing is to provide signage for eastbound traffic crossing the Delaware Memorial Bridge and near the interchange of I-295 to advise trucks heading toward Salem to use Hook Road instead of Route 49<sup>1</sup>.



Salem Branch Rail Line



Southern Railroad of New Jersey



Intersection of Route 49 (left) & Hook Rd (right)

<sup>1</sup> South Jersey Transportation Planning Organization (2018). *Port of Salem Corridor Freight Rail Intermodal Study Final Report*



# Infrastructure Investment Details:

## *Medium-term Interventions*

### PORT

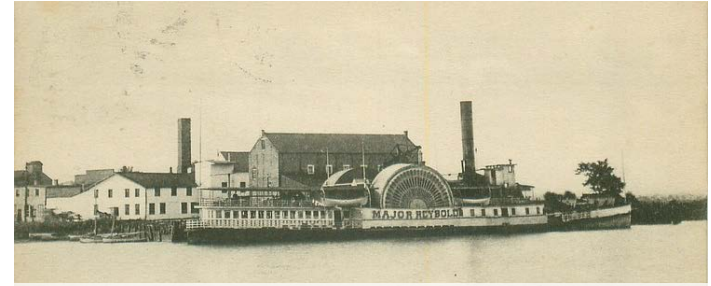
**Increase Channel Depth to 21'** | To expand the range of vessels that can access the Port and to handle a greater diversity of operations in addition to barging, the channel needs to be dredged at least to 21'. An analysis should be conducted on the local and regional economic impacts of such a project, what kind of vessels the Port could support and what industries would be served.

**Waterfront Access for Salem Branch** | One of the most essential upgrades for Salem's rail facilities is reestablishing connections to the waterfront. One of the main reasons for Empire Blended's interest in Salem was the desire to use the rail and the Port as part of one cohesive and integrated transportation network. The County has guaranteed financial commitment for further efforts to advance this including railroad rehab from Fifth St. to West Broadway and the bulkhead replacement behind the former Ardagh Glass building.<sup>1</sup> The NRN Team recommends to pursue aggressively to advance these efforts in the medium-term.

### RAILROAD

**Salem Rail Yard Restoration as a Transloading Facility** | The Salem Rail Yard, which once contained ~12 spurs and was a active center of trade, was identified as a key opportunity to create a modern intermodal transloading facility. The NRN Team recommends Salem to pursue funding from nation-wide infrastructure programs such as the Infrastructure for Rebuilding America program (INFRA grants) which has set aside \$500M for intermodal projects, as well as additional funding from the State.

<sup>1</sup> South Jersey Transportation Planning Organization (2018). *Port of Salem Corridor Freight Rail Intermodal Study Final Report*



*Paddle Steamer between Salem and Philadelphia, 19<sup>th</sup> Century*



*Container ship at Port of Salem*



*Inactive rail spur in City of Salem*

# Infrastructure Investment Details:

## *Medium-term Interventions*

**Repair Industrial Tracks and Sidings** | The City used to have nearly one mile of industrial tracks serving its businesses. The City is recommended work with the County, adjacent property owners, and existing/potential businesses to upgrade this network of industrial tracks and sidings to restore direct rail access to key industrial properties. NJDOT Local Aid may be a possible funding source, as well as low-cost financing options such as RRIF loans.

**Upgrade Salem Running Track** | The Salem Running Track connects the Salem Branch to the regional network by creating an extension from the Port of Salem to Vineland Secondary. It is critical for the ports of Paulsboro and Camden; maximizing the uses of these ports relies on The Running Track upgrades. SJTPO estimates \$7.6M is required for the project but given the regional importance of the effort, the City is recommended to work with the County to secure federal funding such as INFRA or BUILD grants.

### ROAD

**Redesign Hook Rd Entrance from the Interstate** | The roadway configuration in the area of the I-295 and New Jersey Turnpike interchanges should be redesigned to fully establish Hook Rd as the alternative truck route.

**Improve Intersection Operations** | SJTPO's Intermodal Study recommended shifting truck traffic from Broadway St. to Grieves Pkwy. The study also advised improving the entrance to the Port at Broadway and Front St.



*Southern Railroad of New Jersey*



*Inactive railroad tracks in Salem, NJ*



*Intersection of Broadway and Front St at the Port entrance*

<sup>1</sup> South Jersey Transportation Planning Organization (2018). *Port of Salem Corridor Freight Rail Intermodal Study Final Report*

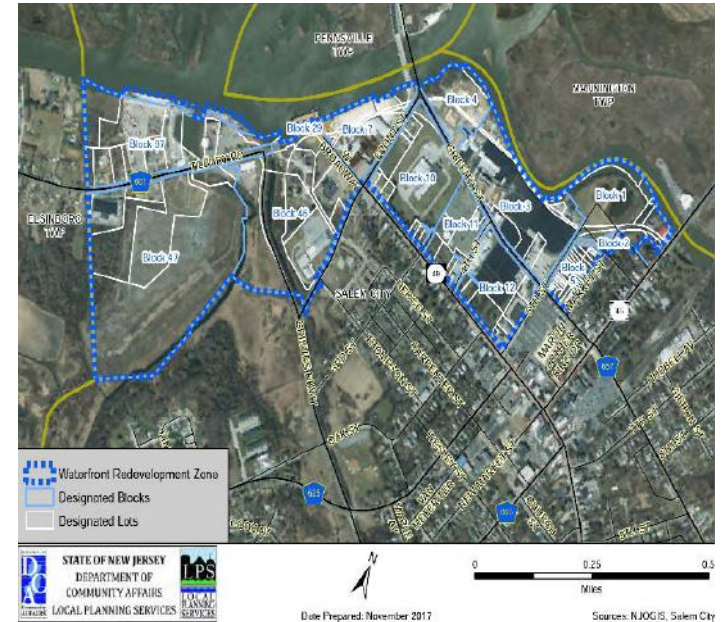


# Infrastructure Investment Details:

## *Long-term Interventions*

### PORT

**Build Intermodal Links** | The NRN Team recommends the Port to prioritize becoming an intermodal facility that connects to regional and national trade networks. The restoration of the Salem Branch Rail Line and the Salem Running Track will be the critical steps towards advancing these connections. In the Port, additional investments should be made in multiple spur tracks and wide-span cranes that will allow handling of different types of cargo and the efficient transfers of goods from ships to trains and trucks. New Jersey's new economic plan emphasizes the importance of international trade for the State's competitiveness. If the deepening of the channel and the rehabilitation of the rail line can be achieved, the City could make a compelling business case to receive more support to make the Port the region's international trade hub given the fact that it is the only port in Southern NJ and a designated Foreign Trade Zone.



City of Salem – Waterfront Redevelopment Zone (courtesy of LPS)



Inactive parcels on the Waterfront near the Port

# Infrastructure Investment Details:

## *Long-term Interventions*

### RAIL

**Continue Salem Rail Yard Restoration as a Transloading Facility** | The Salem Rail Yard, which once contained ~12 spurs and was a active center of trade, was identified as a key opportunity to create a modern intermodal transloading facility. The NRN Team recommends Salem to pursue funding from nation-wide infrastructure programs such as the Infrastructure for Rebuilding America program (INFRA grants) which has set aside \$500M for intermodal projects, as well as additional funding from the State.

**Establish North – South Rail Connection** | Currently there is no direct rail freight connection between the North and South of NJ. The Statewide Freight Plan identifies establishing N-S rail connectivity as a “planning project to be advanced” which is projected to attract new carload and intermodal rail freight service to South Jersey. Salem is recommended to be involved in efforts to push for the investigation of potential corridors and their economic impacts, to influence the decision-making processes in Salem’s favor.

### ROAD

**Transloading Facilities** | Restoration of the Salem Rail Yard as a transloading facility requires sufficient capacity for trucking and related storage. Road connections to the Yard, availability of storage capacity and transloading equipment are of utmost importance to allow rail to truck and truck to rail transfers of goods. This would provide flexibility for transportation of goods and improve access to Delaware markets specifically, since trucking is more efficient than rail for those markets. This would be a complementary effort to the general restoration of the Yard, so the funding sources would be the same.



PRSL/NJ Transit Budd RDCs in Salem in 1988



Inactive intermodal rail yard in Salem, NJ



Truck unloading in an intermodal transloading facility

# Infrastructure Investment Details:

## *Short-term Interventions – Funding Options*

### PORT

US EDA's Economic Adjustment Assistance, Implementation Grants are used to help implement the recommendations outlined in a region's "Comprehensive Economic Development Strategy" (CEDS). SJEDD's 2017 CEDS report highlights the redevelopment potential of the Port of Salem. In addition, expansion of port and harbor facilities is eligible for EDA's Public Works Program. Both EDA sources and the SJPC's funds could be used for the survey of the pier and existing facilities, and the following required upgrades. Harbor Maintenance Trust Fund is the federal source for maintenance dredging, which Salem has not been able to benefit regularly enough up to now.

### RAILROAD

The funding to close the \$0.7M gap to complete the Salem Branch could come from federal sources such as INFRA (formerly FASTLANE) or BUILD grants, and the National Highway Freight Plan, in addition to EDA's Economic Adjustment Assistance, Implementation Grants. The original \$6.0M came from State funding sources, the NJ Rail Freight Assistance Program and the NJ Local Municipal and Local aid.

### ROAD

The relatively low-cost intervention to enhance truck signage on Hook Rd can be funded from the federal Surface Transportation Block Grant which is a good fit for such an intervention as it funds surface transportation planning and highway and transit safety improvements. NJ Local Aid options could also be viable sources.

#### EDA Economic Adjustment Assistance – Implementation Grants

EDA Public Works

INFRA / BUILD Grants

Surface Transportation Block Grant

Harbor Maintenance Trust Fund

National Highway Freight Plan

SJPC Funding

NJ Local Aid: Municipal and/or County Aid; Local Freight Impact Fund

NJ Rail Freight Assistance Program



# Infrastructure Investment Details:

## *Medium-term Interventions – Funding Options*

### PORT

Increasing the channel depth is a large-scale project whose funding could come from federal sources such as INFRA & BUILD grants. In addition, EDA's Economic Adjustment Assistance and Public Works programs could help with the extension of Salem Branch to the Port, given the positive potential impact of such a connection at a regional level. This project has already received State funding, from NJDOT Local Aid (Municipal and/or County Aid) and FEMA funding for the bulkhead and hazard mitigation improvements have already been received for portions. SJPC funding could also be used.

### RAILROAD

Restoration of Salem Rail Yard is eligible for specialized funding opportunities due to its potential intermodal capacities. INFRA Program has set aside \$500M for intermodal projects. BUILD and National Highway Freight Plan also fund projects with an intermodal focus. These sources could also be used to fund the upgrades on Salem Running Track, given its regional importance. Conrail, which runs this line, could also match and/or apply for RRIF loans. Federal, State (NJ Local Aid or Rail Freight Assistance) and County sources could be used to fund the repairs of local industrial tracks and sidings.

### ROAD

For the redesign of the entrance to Hook Rd from NJ Turnpike and I-29, the City could consider applying for INFRA and/or BUILD grants. Surface Transportation Block Grant is also a possible option, given its focus on safety improvements. National Highway Freight Plan funds geometric improvements to interchanges and ramps, which the Hook Rd entrance redesign would be eligible for. For the local intersections, Salem could apply for NJ Local Municipal Aid and the new Local Freight Impact Fund which assists municipalities with the impacts associated with the freight industry's use of infrastructure.

#### INFRA & BUILD Grants

#### EDA Economic Adjustment Assistance – Implementation Grants

#### National Highway Freight Plan

#### EDA Public Works

#### Conrail Match / RRIF Loans

#### Surface Transportation Block Grant

#### NJ Local Aid: Municipal and/or County Aid; Local Freight Impact Fund

#### FEMA Funding

#### NJ Rail Freight Assistance Program

# Infrastructure Investment Details:

## *Long-term Interventions – Funding Options*

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### PORT

Increasing the intermodal capacity of the Port will rely on the federal sources mentioned earlier, namely INFRA & BUILD grants, EDA's Economic Adjustment Assistance and Public Works. National Highway Freight Plan is also a possible source as states may use up to 10% of NHFP funding each year for water facilities (including ports) and/or intermodal facilities. State funding such as NJ Local Aid could also be used.

### RAILROAD

Salem Rail Yard's restoration as a transloading facility and reaching its full capacity will likely take some time. Same funding sources could be listed for the long timeframe as well. As for the North-South Rail Connection, given how large-scale such an effort would be, it would be beyond Salem's domain of management. It would rely on large-scale federal funding programs and would have to be included in State's capital projects.

### ROAD

Salem Rail Yard's restoration will have a road facilities component in addition to rail, and although the funding options for that are mostly the same as the rail component, Surface Transportation Block Grant can be listed as an additional resource.

INFRA & BUILD Grants

EDA Economic Adjustment Assistance – Implementation Grants

National Highway Freight Plan

EDA Public Works

Conrail Match / RRIF Loans

Surface Transportation Block Grant

NJ Local Aid: Municipal and/or County Aid; Local Freight Impact Fund

NJ Rail Freight Assistance Program

# Designations and Incentives:

## *Business Recruitment*

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### **Foreign Trade Zone / Port of Entry** | [US Homeland Security Council](#) |

Foreign Trade Zone is a geographical area where both domestic and foreign goods may be landed, stored, handled, manufactured or reconfigured and re-exported under US Customs regulations that are applied to commercial transactions outside the United States, which significantly reduces the tax burden associated with those goods. Coupled with the designation as a Port of Entry, which means a location where one may lawfully enter the country, the Port of Salem has the potential to be especially well-suited for companies with domestic and international import/export operations in Southern New Jersey, as the only port in the region.

**Opportunity Zone** | [NJ Department of State](#) | A new Federal program designed to drive long-term capital investment into low-income rural and urban communities. An Opportunity Zone allows investors to benefit by waiving their tax liability if they invest in a company in the zone and then sell their stake for a profit after staying in it for 10 years or longer, or receive up to 15% of tax break if they stay for at least 7 years.

**Urban Transit Hub & Distressed Municipality** | [NJ Economic Development Authority \(NJEDA\)](#) | Provides eligibility for certain NJEDA business incentive programs, such as Grow NJ and The Economic Redevelopment Growth Program (ERG). Although both programs are set to expire in July 2019, these designations will help Salem maintain a prioritized status for any new programs which NJEDA may initiate in the future.

**New Market Tax Credit** | [Internal Revenue Service](#) | A credit against Federal income taxes for investors that make Qualified Equity Investments in certified financial intermediaries called “Community Development Entities” (CDE). CDEs then use the proceeds of these investments to make Qualified Low-Income Community Investments, in designated low-income communities. Salem is categorized as both “Severely Distressed” and “Non-Metropolitan”, which make it eligible for a higher portion of the funds.

**Salem County Energy Sales Tax Exemption** | [NJ Department of State](#) | An energy sales tax exemption for the retail sales of electricity and natural gas and their transport to manufacturing businesses in Salem County. The energy and utility services must be consumed at the facility.

# Designations and Incentives:

## *Business Recruitment*

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**Grow NJ** | [NJEDA](#) | The State's main job creation and retention incentive program. Businesses that are creating or retaining jobs in New Jersey may be eligible for tax credits ranging from \$500 to \$5,000 per job, per year; with bonus credits ranging from \$250 to \$3,000 per job, per year (award amounts vary based on applicable criteria) - **to be discontinued in July 2019**. [NJ Forward, which will succeed Grow NJ, will focus on high-wage/high-growth sectors, as a part of State's general effort to foster innovation. Salem does not have the necessary infrastructure or workforce talent pool to support such industries, and therefore will be at a disadvantage.](#)

**Direct Loans** | [NJEDA](#) | New Jersey businesses in need of financing and committed to job creation/retention may be eligible for direct loans through the EDA when conventional financing is not available. Based on the 5-year US Treasury or floor of 2%, whichever is higher, with basis point additions for credit risk.

**Bond Financing** | [NJEDA](#) | Tax-exempt private activity bonds, the proceeds of which are used to provide financing. Eligible projects include manufacturing/processing facilities, docks, wharves, facilities that furnish water, electric and gas, sewer facilities, solid waste disposal and certain recycling facilities.

**Fidelity Bonds** | [Federal Bonding Program](#) | A fidelity bond is a business insurance policy that protects businesses in case of any loss of money or property due to employee dishonesty.

**Work Opportunity Tax Credit** | [Federal Tax Credit Program](#) | The Work Opportunity Tax Credit (WOTC) is a Federal tax credit available to employers for hiring individuals from certain targeted groups who have consistently faced significant barriers to employment.

**State Trade Expansion Program** | [NJ Department of State](#) | Through the U.S. Small Business Administration, the New Jersey Business Action Center received funding for the New Jersey State Trade Expansion Program (NJ STEP) to provide sub-grants to New Jersey eligible small business concerns that are new to export, as well as those businesses who currently sell their goods and services to other countries.

# Designations and Incentives:

## *Redevelopment & Revitalization*

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**Area in Need of Redevelopment & Rehabilitation** | [NJ Department of State](#) | These designations provide exclusive eligibility for investors investing in Salem to receive long term tax abatements, which can last up to 30 years after a project's completion. The program can be used to fund the cost of community facilities which the municipality wishes the developer to construct and fund. The developer must form an "Urban Renewal Entity" which must be approved by the Department of Community Affairs.

**The Economic Redevelopment Growth Program (ERG)** | [NJEDA](#) | An incentive for developers and businesses to address revenue gaps in development projects, defined as having insufficient revenues to support the project debt service under a standard financing scenario. It can also apply to projects that have a below market development margin or rate of return - **to be discontinued in July 2019**. [NJ Aspire Tax Credit, which is the successor of ERG, will prioritize communities served by mass transit, to maximize the impact of taxpayers' investment. But since Salem lacks mass transit infrastructure, it is unlikely that it will continue to benefit from this program.](#)

**NJ Redevelopment Investment Fund** | [NJ Redevelopment Authority \(NJRA\)](#) | A flexible investment fund that provides debt and equity financing for business and real estate ventures. Through the Redevelopment Investment Fund (RIF), the NJRA is able to offer direct loans, real estate equity, loan guarantees and other forms of credit enhancements.

**NJ Urban Site Acquisition Program** | [NJRA](#) | A revolving loan fund that facilitates the acquisition, site preparation and redevelopment of properties, which are components of an urban redevelopment plan in NJRA eligible communities. NJUSA serves as a catalyst to jump start urban revitalization efforts. The Program provides for-profit and nonprofit developers, and units of government with a form of bridge financing to acquire title to property and for other acquisition related costs.

**Demolition Bond Fund Program** | [NJ Department of Community Affairs \(NJDCA\)](#) | A \$20,000,000 loan program for the purpose of providing financing for the demolition and disposal of unsafe buildings in eligible municipalities, urban and rural centers. Unsafe buildings in approved Redevelopment Areas receive priority funding above other categories. A second priority is assigned to buildings that are not unsafe, but warrant demolition because of a viable redevelopment project.

**Urban Aid Municipality** | [NJDCA](#) | This category is limited to acquisition and development projects located in eligible municipalities, which Salem is. Funding for Urban Aid acquisition projects is in the form of a 75% matching grant and, subject to available funding, a 25% zero percent interest Green Acres loan (payable over thirty years). For park development projects in Urban Aid municipalities, funding is now available in the form of a 75% matching grant and, subject to available funding, a 25% zero percent interest loan (payable over twenty years).



# Designations and Incentives:

## *Remediation*

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**Brownfield Development Area (BDA)** | [NJ Department of Environmental Protection \(NJDEP\)](#) | Under the Brownfields Development Area (BDA) approach, NJDEP works with selected communities affected by multiple brownfields to design and implement remediation and reuse plans for these properties simultaneously. The BDA approach enables remediation and reuse to occur in a coordinated fashion. In the process, we invite the various stakeholders, including owners of contaminated properties, potentially responsible parties, developers, community groups, technical experts for the local government and residents, and residents themselves, to participate in this cleanup and revitalization approach.

**Hazardous Discharge Site Remediation Fund Loans & Grants (HDSRF)** | [NJEDA](#) | To provide grants to public entities (municipalities, counties, and redevelopment entities) for 100% of the costs of the investigation and a portion of the costs (25% to 75% depending on the end use) of the cleanup of contaminated sites identified as areas specifically in need of redevelopment. To provide grants to public entities for 75% of the costs to clean up contaminated sites specifically located in a designated BDA.

**Brownfields and Contaminated Site Remediation Program** | [NJEDA](#) | Designed to restore key brownfields sites to productive use through incentives making the redevelopment more affordable. Funded by new sales taxes derived from the businesses that are located on these formerly contaminated and unusable properties.

**Green Acres - Local Government and Nonprofit Assistance** | [NJDEP](#) | Green Acres provides low interest (2%) loans and grants to municipal and county governments to acquire open space and develop outdoor recreation facilities. The Planning Incentive Program provides grant and loan funding to local governments (municipalities and counties) that have enacted an open space tax and have adopted an open space and recreation plan.

# Designations and Incentives:

## *Remediation*

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**New Jersey Clean Communities Grant** | [NJDEP](#) | To provide financial assistance for the implementation of litter abatement programs in eligible municipalities and counties within the State. All 21 New Jersey counties and 558 of the 565 New Jersey municipalities receive funding.

**NJ Environmental Infrastructure Trust** | [NJDEP](#) | The New Jersey Environmental Infrastructure Trust provides low-cost financing for the construction of environmental infrastructure projects that enhance and protect ground and surface water resources, ensure the safety of drinking water supplies, and make possible responsible and sustainable economic development.

**The New Jersey Water Bank** | [NJDEP](#) | A partnership between NJDEP and NJEIT to provide low cost financing for the design, construction, and implementation of projects that help protect and improve water quality and help ensure safe and adequate drinking water.

**New Jersey Clean Energy Program** | [NJ Board of Public Utilities \(NJBPUI\)](#) | This statewide energy initiative administered by the NJ Board of Public Utilities provides information and financial incentives to help New Jersey residents and businesses and communities reduce their energy use. There are rebates and promotions offered to residential, commercial, industrial and local government uses.

# Designations and Incentives:

## *Transportation*

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**Local Aid and Economic Development** | [NJ Department of Transportation \(NJDOT\)](#) | The State Aid Program is one method by which the New Jersey Department of Transportation (NJDOT) can work with county and municipal governments to improve the efficiency and effectiveness of the state's transportation system. The Transportation Trust Fund (TTF) has provided the opportunity for State assistance to local governments for road, bridge, and other transportation projects.

**Federally Funded Programs** | [NJDOT](#) | NJDOT administers the following Federal Aid Programs:

- Local Lead
- Transportation Enhancements
- Safe Routes to School
- Emergency Relief
- Transportation Alternatives
- Local Safety/High Risk Rural Roads

**Local Technical Assistance Program** | [Federal Highway Administration](#) | The Local Technical Assistance Program (LTAP) is a Federal Highway Administration technology transfer program that provides technical assistance and training to local highway departments in the USA. It transfers knowledge of innovative transportation technology to both urban and rural local communities in the United States and to American Indian tribal governments.

# Designations and Incentives:

## *Housing*

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**Low Income Housing Tax Credit** | [US Department of Housing and Urban Development \(HUD\)](#) | The Low-Income Housing Tax Credit (LIHTC) is the most important resource for creating affordable housing in the United States today. The LIHTC program gives State and local LIHTC-allocating agencies the equivalent of nearly \$8 billion in annual budget authority to issue tax credits for the acquisition, rehabilitation, or new construction of rental housing targeted to lower-income households.

**Neighborhood Stabilization Program (NSP)** | [HUD](#) | Congress established the Neighborhood Stabilization Program (NSP) for the purpose of stabilizing communities that have suffered from foreclosures and abandonment. Through the purchase and redevelopment of foreclosed and abandoned homes and residential properties, the goal of the program is being realized.

**Community Development Block Grant (CDBG) - Entitlement Program** | [HUD](#) | The Community Development Block Grant (CDBG) Entitlement Program provides annual grants on a formula basis to entitled cities and counties to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons.

# Designations and Incentives:

## *Cultural*

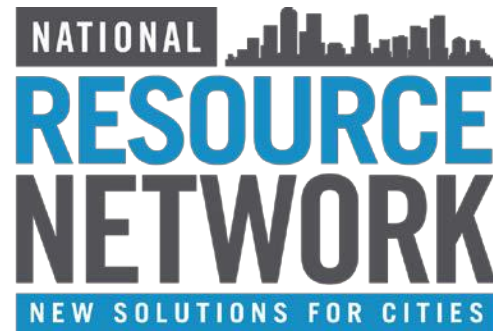
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**New Jersey Historic Preservation Certified Local Government Grants (CLG) and Historic Preservation Fund** | [NJDEP](#) | The goals are to identify all buildings, sites, structures, objects and districts which are significant in American historic, architecture, archaeology and engineering, and which meet the criteria for inclusion in the National Register of Historic Places; to design and implement planning tools for the protection of these resources.

**Main Street New Jersey Program Focus Areas** | [NJ Department of State](#) | The Main Street New Jersey Program provides participating communities with technical assistance and training of proven value in revitalizing historic downtowns. The program helps municipalities improve their economy, appearance and image of their central business districts through the organization of local citizens and resources.

**Arts in Communities Grant Program, Community Cultural Planning** | [NJ Department of State](#) | Technical assistance and referral services provided by specialists in feasibility, design, financing and operations for government, educational and non-profit organizations only.





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