

Main Street Recovery Finance Program Listening Session

July 2021



Agenda

1. Introduction (5-10 min.)
2. Program Overview (20 - 30 min.)
3. Public Feedback and Q&A (30 + min.)



To access the actual draft rules and related definitions document, please visit www.njeda.com/Program-specific-feedback

About the NJ Economic Recovery Act

Governor Phil Murphy signed the New Jersey Economic Recovery Act of 2020 (ERA) into law on January 7, 2021. Additional legislation was enacted (P.L. 2021, c. 160) on July 2, 2021, improving the programs established under the ERA.

The ERA creates a package of tax incentive, financing, and grant programs that will build a stronger, fairer New Jersey economy.

ERA is both a broad-based recovery bill and reform bill that will better position New Jersey to recover from economic crisis caused by the COVID-19 pandemic, while remaining true to the NJEDA's commitments to transparency and accountability

Visit the NJEDA's website at www.njeda.com/economicrecoveryact to learn more about each of the programs within the ERA, or to provide general ERA feedback.

Opportunities for Engagement

The NJEDA is committed to transparency, equity, and faithful stewardship of taxpayer dollars, and welcomes constructive input from all New Jerseyans as we work through the process of implementing the programs under ERA.

The NJEDA will be providing multiple opportunities for public input. Today's session is one way that NJEDA is collecting informal program-specific feedback.

GENERAL ERA PROGRAM FEEDBACK

Provide general suggestions on one or more ERA programs prior to NJEDA releasing program-specific information.

You can use this website to provide thoughts on the ERA legislation and how NJEDA should implement the ERA programs.

INFORMAL PROGRAM-SPECIFIC FEEDBACK

Provide specific feedback on draft program regulations, before they are approved by NJEDA's Board.

NJEDA will post additional draft ERA program regulations on this website for public input as they are developed.

FORMAL REGULATORY FEEDBACK

Provide formal public feedback on the proposed regulations approved by our Board.

All ERA programs will have a formal APA 60-day public comment period once proposed rules are published.

Executive Order No. 63

Pursuant to Governor Murphy's Executive Order No. 63, the NJEDA is providing opportunities for groups and stakeholders to engage with the NJEDA in crafting rules around the Main Street Recovery Finance Program

We welcome constructive input on how to ensure new programs created through the Economic Recovery Act are structured and administered in a manner that drives opportunities for all residents and communities

NJEDA will begin the session with a presentation to summarize the draft rules – opportunity for public feedback will be available following the NJEDA's presentation. It is expected that 75-90 mins will be reserved strictly for public input

Recording of Public Feedback Sessions

Members of the public can submit written feedback on the Main Street Program via

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Public Feedback Policy

- ▶ **Feedback may be submitted verbally by using the “raise hand” function in Zoom, or in writing through the Q&A feature.** Input will not be accepted verbally until the NJEDA has concluded its presentation.
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- ▶ **Each member of the public will have one opportunity to provide remarks.** If time remains at the end of the session, we will reopen the opportunity for additional remarks.
- ▶ **Speakers should not expect to engage in a dialogue. The NJEDA staff may respond to basic questions or clarify a speaker’s input.** However, the NJEDA staff are not obligated to answer impromptu questions or address remarks from members of the public.
- ▶ **Speakers and members of the public should at all times maintain proper decorum and shall provide their remarks in a civil manner.**

What is the Main Street Recovery Program?

\$100 million appropriation that will fund several different products to support New Jersey small businesses:

Products are expected to consist of:

- 1) Grants to Small Businesses** – Will support NJ small businesses (as defined by SBA) with renovations, improvements, lease payments, and purchase and/or installation of furniture, fixtures and equipment.
- 2) Loans to Micro Businesses** – Low-cost financing will support NJ micro businesses, defined as businesses with 10 full-time employees or less, and less than \$1.5 million in annual revenue (based on most recent tax return).
- 3) Resources for Lenders** - Loans and grants to lenders that have at least 10 years of experience servicing micro businesses. These resources will help lenders service more micro businesses with loans and technical assistance. Eligible lenders will include:
 - Community Development Financial Institutions (CDFIs)
 - Minority Depository Institutions (MDIs)
 - Zone Development Corporations (in cities with a population of more than 100,000)
 - Community Development Corporations
 - Economic Development Corporations

Initial Product Offerings

The Main Street rule proposal establishes two initial product offerings:

Small Business Lease Grant



Provides grant funding to offset a portion of lease payments for businesses leasing new or additional space.

Small Business Improvement Grant



Reimburses business owners for costs associated with making interior or exterior building improvements or purchasing/installing furniture, fixtures or equipment.

Small Business Lease Grant



OVERVIEW

- ▶ **40% of grant funding for this product will be set aside for businesses located in a census tract that is designated as an Opportunity Zone**
- ▶ **Provides grants to businesses to offset a portion of annual lease payments for leases that have a minimum 5-year term. Leases must be newly executed (within 12 months of application) to be eligible.**
- ▶ **Grant payments are made in two disbursements:**
 - First disbursement will be made after execution of grant agreement, for an amount equal to 20% of annual lease payment.
 - Second disbursement will be made after 12 months of lease payments have been paid by the applicant, for an amount equal to 20% of annual lease payment.
- ▶ **Applicants with multiple locations are limited to one application per location.**
- ▶ **Approval fee: \$100 - due at time of approval and prior to execution of grant agreement**



APPLICANT ELIGIBILITY

- ▶ **An applicant must meet the following eligibility requirements:**
 - Meet SBA definition of a Small Business – determined by applicant’s NAICS code
 - Provide a current tax clearance certificate
 - Be in good standing with Department of Labor and Department of Environmental Protection
 - Certify at time of application that they are not in default of any other NJEDA or State assistance
 - Certify at application the applicant will pay wages that are the greater of \$15/hour or 120% of the minimum wage rate. Tipped employees are required to be paid only 120% of minimum wage rate. Wage requirements last for the term of the grant agreement (5 years)
 - Must commit to remaining in the facility for at least five years after grant agreement
 - Program is open to both non-profits and commercial businesses



LEASE ELIGIBILITY

- ▶ **A lease must meet the following eligibility requirements:**
 - 500 – 10,000 s.f. of office, commercial space, or retail space
 - A lease of more than 10,000 s.f. is eligible, but the program will only provide grant funding to support 10,000 s.f.
 - Must be a new lease, lease amendment, or lease extension; new or amended space must be at least 500 s.f. larger than prior space
 - Must include first-floor (street-level) space
 - Leases that include two floors are eligible, but must include first-floor (street-level) space.
 - Must be a minimum 5-year term
 - Must be market-rate based on commercial real-estate information
 - Lease cannot be executed more than 12 months prior to date of application



EXCLUSIONS

- ▶ Applicants cannot terminate an existing lease and enter into new lease for same or less square footage in order to pursue this grant
- ▶ Businesses currently operating under an existing Small Business Lease Assistance Program grant agreement are not eligible to apply, but may opt out of their existing grant agreement to pursue this grant
- ▶ Grantees that default on lease payments or leave the space during their grant term are no longer eligible for the incentive and must repay any funding they received from the NJEDA
- ▶ High Tech and Business Incubator members in Not for Profit facilities would not be eligible for independent lease incentives
- ▶ Operators of incubators are eligible
- ▶ Landlord cannot have an ownership interest in the tenant.

Small Business Improvement Grant



PROGRAM OVERVIEW

- ▶ **40% of grant funding for this product will be set aside for businesses located in a census tract that is designated as an Opportunity Zone**
- ▶ **Provides grants funding equal to 50 percent of project costs (max \$50,000)**
 - Grant funding can be used for:
 - Interior and exterior renovations
 - Purchase and installation of new furniture, fixtures, and equipment (FFE)
 - Minimum project cost of \$5,000
- ▶ **Limit of one grant per Employer Identification Number (EIN)**
- ▶ **Entities operating in multiple locations under a single EIN are limited to one application under the sole EIN, but a single application may include project costs across multiple locations.**
- ▶ **Approval fee: \$100 - due at time of approval and prior to execution of grant agreement**

Small Business Improvement Grant



APPLICANT ELIGIBILITY

▶ The applicant must:

- Must meet SBA definition of Small Business - based on applicant's NAICS code
- Must rent or own and operate from facility as a commercial business
- Must provide a current tax clearance certificate
- Must be in good standing with Department of Labor and Department of Environmental Protection
- Must certify at time of application that they are not in default of any other NJEDA or State assistance
- Certify at application the applicant is willing to pay wages that are the greater of \$15/hour or 120% of the minimum wage rate. Tipped employees are required to be paid only 120% of minimum wage rate
- Non-profits and commercial businesses are eligible for the program.

Small Business Improvement Grant



PROJECT ELIGIBILITY

- ▶ Reimbursement for interior or exterior building improvements, or purchase and/or installation of furniture, fixtures, and equipment (FFE)
- ▶ Home-based businesses may only receive reimbursement for purchase and/or installation of furniture, fixtures, and equipment (FFE)
- ▶ Work must be complete on or after March 9, 2020, but no more than 2 years prior to application date.
- ▶ Must provide documentation proving payment was made for completed work (invoices, statement, payments, and/or cancelled checks)
- ▶ Total project cost must be at least \$5,000
- ▶ Applicant is responsible for all applicable local approvals (i.e. zoning and building permits)
- ▶ Projects over \$50,000 are subject to Green Building Standards for lighting and/or mechanical work.
- ▶ If applicant leases space then landlord's permission to make improvements is required
- ▶ Projects utilizing contractors with 4 or more employees (total workforce, not specific to project) may be subject to Affirmative Action requirements

Main Street Recovery Fund Requirements



Small businesses that wish to utilize the grant products under Main Street must be prepared to comply with the following requirements:

▶ **Wage requirements:**

- Employees must be paid the greater of \$15/hour or 120% of minimum wage. For tipped employees, 120% of minimum wage
- NJEDA will monitor for this annually, by collecting either through a WR-30, payroll report, or equivalent documentation

▶ **Green Building Standards** - For the Small Business Improvement Grant, projects with total project cost of over \$50,000 must adhere to green building standards. For the purposes of the Improvement Grant, this is applicable to mechanical and lighting improvements only.

▶ **Affirmative Action** – For the Small Business Improvement Grant, contractors with 4 or more employees (in total, not specific to the project applying for a grant) are subject to Affirmative Action requirements.

▶ **Commitments under each grant, subject to businesses repaying the grant for non-compliance:**

▶ **Small Business Lease Grant** – Must commit to remaining in the facility and meeting the wage requirements for 5 years following grant agreement

▶ **Small Business Improvement Grant:**

- For grants of less than \$25,000, business must commit to remaining in the facility and meeting the wage requirements for 2 years following grant agreement
- For grants of \$25,000 or more, business must commit to remaining in the facility and meeting the wage requirements for 4 years following grant agreement

Additional Pilot Programs



NJEDA intends to develop future pilot products to be funded under the Main Street Recovery Program:

▶ **Micro Business Loans**

- Working capital loans of up to \$50,000 to be provided directly to micro businesses from NJEDA. Financing will be low-cost, with attractive terms and rates.

▶ **Loans to Micro Business Lenders**

- EDA will provide loans to micro business lenders, who will use that funding to increase capacity under their existing loan programs, or establish new micro business lending programs with attractive terms
- Eligible lenders would include CDFIs, MDIs, Zone Development Corporations in cities with a populations of 100,000 or more, CDCs, EDCs, and non-profit lenders with at least 10 years of lending experience to micro businesses
- Lenders will also receive a portion of the funding as technical assistance grants, to provide services to better position micro businesses to qualify for these loans. Technical support services are expected to include, but are not limited to: credit repair services, assistance with writing business plans, assistance with preparing financial statements and projections, and other services.

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