MEMORANDUM

TO: Members of the Authority

FROM: Tim Sullivan, Chief Executive Officer

DATE: September 11, 2024

SUBJECT: New Jersey Manufacturing Voucher Program Phase 3

Request:
The Members are asked to approve:

1. The New Jersey Manufacturing Voucher Program (NJ MVP) Phase 3, re-extending this pilot initiative that offers grants in the form of reimbursement to New Jersey manufacturers for the purchase of manufacturing equipment. This program aims to facilitate access to essential equipment, enhancing efficiency, productivity, and overall profitability in New Jersey manufacturing.

2. The utilization of $10,000,000 from the Fiscal Year 2025 (FY2025) budget to capitalize the NJ MVP, with $500,000 of that funding to be used by the Authority to cover administrative costs that are needed to administer the NJ MVP Phase 3, New Jersey Manufacturing Voucher Program.

3. A single modification to eligibility criteria for NJ MVP: To ensure equitable access to funding, Phase 3 applications will be prioritized for new applicants who have not previously or will not be awarded grants under Phase 1 or Phase 2 (based on EIN) during the initial two-week application period. Following this period, all eligible businesses will have the opportunity to apply for funding, subject to available resources.

4. Delegation of authority to the Chief Executive Officer to approve certain individual applications for the NJ MVP within the parameters set forth in this memo and the attached program specifications.

5. Delegation to the Chief Executive Officer to accept additional funds from prior phases of NJ MVP, if any, as well as any available governmental funding source (Federal, State, or County/Municipal) to further fund the third phase of this pilot program; and to impose additional requirements as may be required by law as a condition of accepting, provided that the requirements are consistent with the parameters of the program.

Background:
On October 12, 2022, the Members approved the creation of NJ MVP Phase 1, which included the utilization of $20 million of the available $35 million from the State's Fiscal Year 2023 (FY2023) Manufacturing Industry Initiative budget appropriation to stimulate private sector investments to modernize New Jersey's manufacturing industry.

Because the demand exceeded the $20 million, on July 12, 2023, the members of the Board approved the use of an additional $13.75 million from the same $35 million Manufacturing Industry Initiative increasing total funding utilized for NJ MVP Phase 1 from $20 million to a total of $33.75 million.

On June 30, 2023, Governor Phil Murphy allocated $20 million from the State Fiscal Year 2024 budget to continue to boost the New Jersey Economic Development Authority's (NJEDA) NJ MVP that allowed us to launch a Phase 2.

Description of Program:
NJ MVP Phase 3 will provide a reimbursement of manufacturing equipment costs sized at 30% – 50% of the cost of the eligible equipment (including installation) up to a maximum award amount of $250,000. The program will target the State's priority sectors that will purchase manufacturing equipment and non-targeted manufacturers that will purchase equipment that integrate advanced or innovative technologies, processes, and materials to improve the manufacturing of products. The program will also offer bonuses for eligible applicants that are New Jersey certified woman, minority, or veteran owned businesses (WMVB), that are located in opportunity zone eligible census tracks, that are purchasing manufacturing equipment manufactured or assembled in New Jersey, have a collective bargaining agreement in place, and for manufacturers with fifty (50) or less FTE's. NJ MVP is also committed to supporting small businesses by awarding manufacturers with 100 or less Full Time Equivalent (FTE) employees higher award percentages. Companies with 100 FTE employees or less are capped at 50% of the award. Companies with employees over 100 FTE are capped at 40% of the award. Maximum award amount of $250,000. Complete applications will be accepted on a rolling basis and remain open until such point that the program is deemed oversubscribed based on Phase 3 funds availability.

As of August 31, 2024, the NJEDA has approved applications from a total of 325 companies across Phase 1 and 2 programs. A breakdown of approval for each Phase are detailed below:

NJEDA Approved Applications and Potential Disbursements

Phase	Number of Approved Applications	Total Potential Disbursements
Phase 1	205	$28,585,751.52
Phase 2	120	$20,827,604.67

Eligibility:

- To ensure equitable access to funding, Phase 3 applications will be prioritized for new applicants who have not previously been awarded grants under Phase 1 or Phase 2 (based on EIN) during the initial two-week application period. Following this period, all eligible businesses will have the opportunity to apply for funding, subject to available resources.
- The applicant company must either be a manufacturer in a Targeted Industry purchasing equipment for the manufacturing process, or the equipment being purchased must meet the Advanced Manufacturing definition. Please refer to the Targeted Industry List and definitions for more details. **(Appendix B)**
- Applicant company must provide a NJ Tax Clearance Certificate by the time of approval.
- Provide a purchase quote, order proforma, equipment listing, or other third-party cost validation.
- Applicants must be seeking assistance for a project they are actively contemplating but have yet to commit to. Projects for which a contract has been executed, a purchase order has been initiated, or a pre-payment has been rendered prior to the submission of an NJ MVP application and an application fee submitted, **will not** be eligible for funding consideration.
- For-profit and not-for-profit manufacturing companies are eligible.
- Applicants must operate their businesses in a commercial or industrial zone in New Jersey. Home-based businesses are not eligible for this program.
- Equipment (new and/or used) must be used in the manufacturing process and provide a narrative on exactly how the requested equipment will be used to use the in their manufacturing process.
- Have a total aggregated project cost (equipment + installation) of at least $25,000.00.
- Grantee must order/purchase the specified equipment within thirty (30) days of the effective date of the Closing Agreement.
- Following approval, the grantee will have 12 months from the effective date of the Closing Agreement to deliver and install the equipment. Grant recipients may apply for up to two 6-month extensions due to unforeseen delays.
- Equipment must be located in New Jersey and used in the manufacturing process. Items such as forklifts, trucks, solar panels, storage pallets or HVAC systems are some examples of equipment are not eligible for this program.
- Applicant is not engaged in prohibited activities.

In addition to the eligibility parameters already stated above, the applicant must also be in substantial good standing with the New Jersey Department of Labor and Workforce Development (LWD) and NJ Department of Environmental Protection (DEP) at the time of approval to be eligible for NJ MVP. A current tax clearance will also need to be provided prior to approval and maintained through the closing/grant agreement process to demonstrate the applicant is properly registered to do business in New Jersey and in substantial good standing with the NJ Division of Taxation.

All contracts equal to or greater than $2,000 for construction or for equipment installation that requires construction (for example, contracts for plumbing, electric, carpentry, or other construction trades related to the installation of equipment), are subject to the NJEDA's prevailing wage requirements, N.J.S.A. 34:1B-5.1, and the New Jersey Prevailing Wage Act, the Authority's affirmative action requirements, N.J.S.A. 34:1B-5.4, and the Public Works Contractor Registration Act.

Additional Program Details:

- To ensure equitable access to funding, Phase 3 applications will be prioritized for new applicants who have not previously been awarded grants under Phase 1 or Phase 2 (based on EIN) during the initial two-week application period. Following this period, all eligible businesses will have the opportunity to apply for funding, subject to available resources.
- Signer of the application must be an authorized signer (an owner, officer or otherwise have the legal authority to bind the business) of the business.
- Approvals will be based on the lesser of the project cost entered in the application, as validated by the provided quote(s). A single award will be disbursed based on actual costs, following the applicant's submission of proof of equipment delivery, installation, and payment.

Targeted Industries:

The Board on July 14, 2021, approved the use of the Emerge Program list definitions and of Targeted Industries to help guide uses of Economic Recovery Fund (ERF) monies as required by the Economic Recovery Act of 2020 (ERA). The ERA provides a consistent definition of "Targeted Industry" for various programs and authorizes the Authority to amend the list from time to time. As part of the approval of the Emerge Program on May 12, 2021, the Board approved a policy with definitions for each of the Targeted Industries included in the statute, including providing examples of what activities and sub-sectors were included and excluded from each industry definition. Those definitions are attached to this memorandum.

These definitions are applicable as the appropriated monies for NJ MVP will be deposited into Economic Recovery Fund (ERF), as explained further below.

Diversity, Equity, and Inclusion Bonuses:

As a commitment and in support of the Authority's Diversity, Equity, and Inclusion efforts, NJ MVP supports projects that are in distressed areas and under- represented ownership groups. In particular, NJ MVP will award bonuses to those applicants for each of the following areas:

<u>Stackable 5% Bonuses Available for each of the following</u>

- Opportunity Zone Eligible Census Tract (equipment located)
- Certified Woman, Minority, and Veteran Owned Businesses (WMVB)
- At least one Collective Bargaining Agreement in place
- Manufacturers with fifty (50) or less FTE's

Stackable 10% Bonuses Available for the following

- Purchase equipment from a New Jersey Manufacturer. (Equipment must be manufactured and/or assembled in NJ)

Eligible Funding Uses:

Funding can only be used for the purchase and installation of (new and/or used) equipment used in the manufacturing process. The equipment must be located and installed at a New Jersey location. Eligible capital assets shall include any form of manufacturing equipment, technologically advanced equipment or production/operating systems, including but not limited to robotics, additive manufacturing, hardware or software for digital twinning, advanced sensor or control systems, IIoT (interconnected sensors, instruments, and other devices networked together with computers' industrial applications) systems and related security. In addition, for profit and not-for-profit companies are eligible but home-based businesses are not eligible. The acquisition of eligible equipment as it relates to NJ MVP must executed at arm's length.

Application Process:

Complete applications will be accepted on a rolling basis and remain open until such point that the program is deemed oversubscribed based on funds availability. Applicants will have 14 calendar days after their application is reviewed and once notified by the Authority to provide missing or incomplete documents, if any.

Delegated Authority:

Delegation of authority to the Chief Executive Officer to approve individual applications for NJ MVP for applicants that fit the specific examples outlined in the approved targeted industry definitions, including examples in Advance Manufacturing. Any other applicant that staff considers eligible must go to the Board for approval.

As a pilot program, decisions based on non-discretionary reasons are subject to the existing delegated authority. Accordingly, CEO will delegate to the appropriate staff on all decisions and appeal decisions for non-discretionary reasons.

Program Funding:

Per the Fiscal Year 2025 (FY2025) State Budget, the EDA will receive $10,000,000 in funding for the use of Phase 3 of NJ MVP and deposited into the Economic Recovery Fund. The assignment of the funds to the Economic Recovery Fund will allow the Authority to authorize a grant as listed under N.J.S.A § 34:1B-7.13(a)(12), which provides ERF Funds can be utilized "to provide grants or competition prizes to funds initiative-based activities which stimulate growth in targeted industries as defined by the authority's board or supports increasing diversity and inclusion within the State's entrepreneurial economy. NJ MVP, as a grant program stimulating growth in Advanced Manufacturing, or manufacturing activities in any of the other targeted industries reflected in Appendix B, is an eligible use of ERF funding.

Fees:

As required by the Authority's regulations, N.J.A.C. § 19:30-6.1, a non-refundable fee of $1,000 shall accompany every application.

Reimbursement Disbursement:

One single award disbursement will be issued when proof of equipment delivery and installation of all equipment in a New Jersey facility, is provided. If an applicant is eligible for multiple pieces of equipment, they must have all equipment delivered and installed before they submit for reimbursement. An applicant does not have to move forward with the acquisition of all eligible pieces of equipment in their approval letter and may submit for reimbursement just for what they decided to move forward with.

- Changes to equipment: The program prohibits changes to equipment that were not listed in the original application. However, changes to equipment of the same nature as that originally requested are permissible. For example, if the applicant applied for a high-definition television and want to purchase a 4K television, that would be acceptable. However, if the applicant applied for a television and now requests to purchase a printer, that would not be acceptable.
- Changes to vendors: The program allows applicants to change the purchase vendor. However, this might affect the loss of a bonus for buying from a New Jersey manufacturer.
- Changes to award amount: The award amount will not be increased for any project changes or prices increases. However, it may be adjusted downward based on the final amount paid for equipment.
- Installation work performed by the applicant's employees is not eligible for reimbursement under the program.

Recapture Provision:

If, in any tax period within the first three years of executed grant agreement, the company decides to leave the State or move the approved equipment out of the State, the Authority will impose a scaled recapture of the award based on the scale below:

Moves out of State within	Recapture Percentage of the Face Value
1 year of executed grant agreement	**100%**
2 years of executed grant agreement	**60%**
3 years of executed grant agreement	**30%**

Recommendation:

The Members are asked to approve:

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2. The utilization of $10,000,000 from the FY2025 budget to capitalize the NJ MVP and $500,000 of funding is to be used by the Authority to cover administrative costs that are needed to administer the NJ MVP Phase 3.

3. A single modification to eligibility criteria for NJ MVP: To ensure equitable access to funding, Phase 3 applications will be prioritized for new applicants who have not previously or will not be awarded grants under Phase 1 or Phase 2 (based on EIN) during the initial two-week application period. Following this period, all eligible businesses will have the opportunity to apply for funding, subject to available resources.

4. Delegation of authority to the Chief Executive Officer to approve certain individual applications for the NJ MVP within the parameters set forth in this memo and the attached program specifications.

5. Delegation to the Chief Executive Officer to accept funds left over from prior phases of NJ MVP, if any, as well as any available governmental funding source (Federal, State, or County/Municipal) to further fund the third phase of this pilot program; and to impose additional requirements as may be required by law as a condition of accepting, provided that the requirements are consistent with the parameters of the program.

Tim Sullivan, CEO

Prepared by: Lube Aleksoski

Attachments:

Appendix A - Proposed Product Specifications: NJ MVP
Appendix B – Targeted Industries

APPENDIX A

Proposed Program Specifications September 11, 2024	
Funding Source	The utilization of $10,000,000 from the Fiscal Year 2025 (FY2025) budget to capitalize the NJ MVP and $500,000 of funding is to be used by the Authority to cover administrative costs that are needed to administer the NJ MVP Phase 3, New Jersey Manufacturing Voucher Program.
Program Purpose	NJ MVP Phase 3 will continue to provide New Jersey Manufacturers a grant to access equipment they need to become more efficient, productive, and profitable.
Eligible Applicants	Manufacturers located in a commercial or industrial zone in New Jersey with a NJ Tax Clearance Certificate. To ensure equitable access to funding, Phase 3 applications will be prioritized for new applicants who have not previously been awarded grants under Phase 1 or Phase 2 (based on EIN) during the initial two-week application period. Following this period, all eligible businesses will have the opportunity to apply for funding, subject to available resources.
Eligible Uses	Applicant company must be in a targeted industry, or the solicited equipment must meet the definition of Advanced Manufacturing. Funding can only be used for the purchase and installation of (new and/or used) equipment used in the manufacturing process. The equipment must be located and installed at a New Jersey location. Eligible capital assets shall include any form of manufacturing equipment, technologically advanced equipment or production/operating systems, including but not limited to robotics, additive manufacturing, hardware or software for digital twinning, advanced sensor or control systems, IIoT (interconnected sensors, instruments, and other devices networked together with computers' industrial applications) systems and related security. In addition, for profit and not-for-profit companies are eligible but home-based businesses are not eligible. The acquisition of eligible equipment as it relates to NJ MVP must executed at arm's length.
Grant Amounts	30% - 50% of eligible project costs, with a minimum award amount of $7,500 and a maximum award amount of $250,000.
Fees	As listed in N.J.A.C. § 19:30-6.1, a non-refundable fee of $1,000 shall accompany every application.

APPENDIX B

"TARGETED INDUSTRIES" DEFINITIONS

The proposed definition of "Targeted industry" is the following:

"Targeted industry" means any industry identified from time to time by the Authority which shall initially include advanced transportation and logistics, advanced manufacturing, aviation, autonomous vehicle and zero-emission vehicle research or development, clean energy, life sciences, hemp processing, information and high technology, finance and insurance, professional services, film and digital media, non-retail food and beverage businesses including food innovation, and other innovative industries that disrupt current technologies or business models. A project shall be considered to be in a targeted industry if the activity undertaken by the full-time employees will be in a targeted industry, or if the business is in a targeted industry. An eligible business shall be considered to be in a targeted industry, if the project is for full-time employees of a division or subsidiary that falls within the definition of a targeted industry. A division or affiliate of an eligible business that is in a targeted industry shall be considered to be in a targeted industry, even if the project is for full-time employees that do not work directly in the targeted industry. The Authority may consider whether a business fits into another innovative industry that disrupts current technologies or business models, by assessing factors such as, whether businesses in the industry are offering products or services that significantly improve current market offerings on the basis of price or other performance levels, whether the new industry creates opportunities for new firms to enter and redefine the supply chain or value chain of an industry, or whether the industry utilizes new technology or business processes that allow New Jersey- based firms to collect a share of revenues that were traditionally only available to companies in other geographies.

The Authority developed definitions and policy interpretations for each of the listed industries within the definition of "Targeted industry" as included in the Emerge program regulations and statute.

Advanced transportation and logistics industry includes, but is not limited to, the research, development, commercialization, and implementation of technology and innovative methodologies to move goods, services, and people, including by rail, road, air, sea, cable, space and the processing, storage, supply chain management, handling and packaging of goods and services.

Advanced transportation includes, but is not limited to, the areas of infrastructure, vehicles, and operations. Examples of advanced transportation technologies may include advanced transportation, sensor development, electrification of vehicles and infrastructure, new transport vehicle development, smart infrastructure and smart cities technologies.

Advanced logistics includes, but is not limited to, the research, development, commercialization, and implementation of innovative planning, storage, supply chain management, handling, and packaging of goods and services.

Examples of advanced logistics technologies may include real-time dynamic tracking or pricing,

automated processing and handling, the use of blockchain and artificial intelligence, and the use of advanced telecommunication technologies in logistics.

Excluded from this industry are conventional warehousing and distribution facilities, operations and conventional transportation businesses, such as trucking.

Advanced manufacturing industry includes, but is not limited to, activities that integrate advanced or innovative technologies, processes and materials to improve the manufacturing of products. Such activities include research, development, commercialization, and implementation of new manufacturing methods and processes that utilize technology or other innovative methodologies including both physical equipment and software supporting advanced production.

Examples of advanced manufacturing technologies include additive manufacturing technologies, computer-aided manufacturing, utilization of advanced sensors and robotics to improve production, development of advanced materials to support production, and digital twin development and utilization. This industry also includes firms that manufacture either finished or interim advanced technologies or components.

Excluded from this industry are conventional manufacturing firms that do not sufficiently develop or utilize technologies such as those listed above.

Aviation industry includes, but is not limited to, commercial businesses that are directly involved with air transportation, which utilizes an aircraft, such as airplanes, helicopters and drones.

The aviation industry also includes aircraft manufacturing, aviation component manufacturing, aviation research, air safety, involvement with military aviation and the design, production or use of drones.
The aviation industry also includes research, development, and commercialization of aviation-specific software, processes, guidance systems, technologies, and other industry-specific innovative methodologies. This industry also includes firms that manufacture either finished or interim advanced technologies or components.

Excluded from this industry are the operations of regularly scheduled commercial or private flights.

Autonomous vehicle research or development industry includes, but is not limited to, the research, development and implementation of technologies that support the advancement of vehicles that operate independently, increasingly without human involvement, and the related infrastructure for such vehicles.

Examples of autonomous vehicle and infrastructure technologies include sensors, radars, cameras, actuators, complex algorithms, machine learning systems, and software processors that support autonomous vehicle operations and maintenance. Excluded from this industry are research, development, and implementation of technologies that do not advance towards fully automated vehicular operations or the related infrastructure.

This industry also includes firms that manufacture either finished or interim advanced technologies or components.

Zero-emission vehicle research or development industry includes, but is not limited to, the research, development and implementation of technologies that advance the production of electric and other zero emission vehicles that reduce greenhouse gas emissions or improve air quality and the related infrastructure. This industry also includes firms that are undertaking specific projects to implement these technologies.

Examples of zero-emission vehicle technologies include plug-in-hybrid electric vehicles, battery-powered electric vehicles, hydrogen fuel cell-powered vehicles, vehicle charging infrastructure, electricity grid infrastructure improvements, and software to support these technologies.

Excluded from this industry are research, development, and implementation of technologies that do not reduce greenhouse gas emissions or improve air quality.

This industry also includes firms that manufacture either finished or interim advanced technologies or components.

Clean energy industry includes, but is not limited to, the research, development, commercialization, manufacturing of products and services, and implementation of technologies that support renewable energy generation and distributed energy resources, grid modernization, energy efficiency and zero- carbon building development, and transport system electrification.

Examples of clean energy technologies include solar power, onshore and offshore wind, electric battery storage, fuel-cell-based storage, carbon capture technologies, non-combustion waste-to-energy technologies, wave energy, water use minimization technologies, carbon-reducing materials, nuclear energy, heat pumps and geothermal, run of river hydroelectric, and other innovative recycling technologies and processes. This industry also includes firms that manufacture either finished or interim advanced technologies or components.

Excluded from this industry are distribution or transmission utilities, conventional landfill operations, combustion-based waste-to-energy projects, and natural gas projects.

Life sciences industry includes, but is not limited to, the research, development, commercialization, manufacturing, and implementation of innovative treatments, diagnostic tools, healthcare related software, medical devices, services, and equipment that supports the study, protection and improvement of plant, animal and human life.

Examples of life science industry practices include specialization in biomedicine, biochemistry, pharmaceuticals, biophysics, neuroscience, cell biology, biotechnology, medical devices, nutraceuticals, health-technology, botany and advanced agricultural development, cosmeceuticals, and life systems technologies. This industry also includes firms that manufacture either finished or interim advanced technologies or components.

Exclusions from this industry include direct provision of health care services in hospitals, outpatient facilities, dentist offices, nursing homes, or within a home setting.

Hemp processing industry refers to activities in compliance with the federal Agriculture Improvement Act of 2018 (also known as the 2018 Farm Bill) and any applicable regulations regarding hemp processing promulgated by the New Jersey Department of Agriculture, United States Department of Agriculture, or the United States Food and Drug Administration, including but not limited to, the research, development, commercialization, processing and manufacturing of commercial and industrial hemp products derived from hemp seeds, oil, fibers and shives for commercial use, including in the automotive, construction, food and beverage, personal care, and textile industries.

The term also includes research and development activities that advance hemp processing equipment and technologies for production, testing, and manufacturing operations, provided that such activities comply with the above-referenced laws and regulations. This industry also includes firms that manufacture either finished or interim advanced technologies or components.

The hemp processing industry excludes hemp grown for personal use or with a tetrahydrocannabinol (THC) concentration of 0.3% or greater.

Information technology industry includes, but is not limited to, the research, development, and commercialization of advanced software products and information technology services.

Information technology industry includes specialization in application and software development, advanced data analytics, artificial intelligence, blockchain related development, eSports, cybersecurity, cloud computing, provision of web services or servers, telecommunications, mobile communications services, provision of software as a service, and other computing technology.

Information technology industry does not include retail IT service providers, software implementation services that utilize customized product implementations, third party technology implementation to utilizes off-the-shelf solutions, website design services, social media or marketing services, and businesses from other industries that generally utilize technology to support their business operations.

High technology industry includes, but is not limited to, the research, development, commercialization, and manufacturing of technology hardware, technology processes, electronics, and technology-based components.

High technology industry also includes specialization in microelectronics, telecommunications, electronics equipment and components, advanced computing hardware, data storage hardware, advanced optical products and equipment, advanced sensor and instrumentation development, digital imaging, electromagnetics, mobile communication devices and infrastructure, semiconductors and semiconductor equipment.

This industry also includes firms that manufacture either finished or interim advanced technologies or components.

Non-retail Food and Beverages industry includes, but is not limited to, the growing, processing, packaging, preservation and distribution of raw agricultural goods into consumer food products, including fresh prepared foods, packaged foods, and alcoholic and nonalcoholic beverages, aquaculture and fisheries.

The industry includes the regional or global headquarters for food-based businesses, breweries, wineries and major wholesale food distribution facilities. Research and development activities that advance food innovation technologies, commercialization, production, food distribution models and manufacturing operations are also included in the non-retail food and beverage industry.

Excluded from this industry include distribution businesses serving retail food customers, including grocery stores, farmers markets, community supported agriculture organizations, bodegas, or convenience stores, and establishments that serve food and beverages, including restaurants, cafeterias, cafés, fast-food, pubs, delis, and catering businesses.