



NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

new jersey

Highly educated, perfectly located.

Economic Redevelopment and Growth (ERG) Program

The Economic Redevelopment and Growth (ERG) Program is 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. The grant is not meant to be a substitute for conventional debt and equity financing, and applicants should generally have their primary debt financing in place before applying. In order for a project to be approved, it needs to undergo a rigorous analysis of the sources and uses of funds, construction costs and projected revenues. All of these metrics are compared to industry standard measures, many of which are available to view in the supporting documents below. For information regarding a local incentive grant under the ERG Program, please consult with the municipality.

If You Are:

A developer with a commercial, or residential, or mixed use parking project located in areas targeted for growth in New Jersey. See Definitions and Mapping Tool links at the bottom of the page for use in determining location eligibility.

Residential Projects – redevelopment projects that are predominantly residential and include multi-family residential units for purchase or lease, or dormitory units for purchase or lease.

Mixed Use Parking Projects – redevelopment projects consisting of a building or structure, of which the parking component is 51 percent or more of: the total square footage of the entire project; the estimated revenues of the entire project; or the total construction cost of the entire project.

Commercial Projects – redevelopment projects that are predominantly commercial and include retail, office and/or industrial uses for purchase or lease.

You Can Apply For:

Residential Projects – Residential projects that do not generate tax revenues can qualify for tax credits that can be assigned to lenders for project financing. A tax credit of up to 20% of total project cost, with additional tax credit amounts* possible based on project type and/or location listed below and a bonus of an additional 10% (for a total of 30%) if the project constructs and reserves at least 10% of the residential units for moderate income housing. Residential projects have an affordable housing requirement. (See affordable housing requirement below.) Please note that aggregate tax credits available to qualified residential and mixed-use parking projects under ERG are limited to \$718,600,000 million.

Mixed Use Parking Projects – Mixed use parking projects that do not generate tax revenues can qualify for tax credits that can be assigned to lenders for project financing. A tax credit of up to 100% of the parking component project costs and up to 40% (including additional tax credit amounts*) of the non-parking component project costs. Please note that aggregate tax credits available to qualified residential and mixed-use parking projects under ERG are limited to \$718 million.

Commercial Projects – An incentive grant reimbursement of up to 20% of total project cost, with additional grant funding* possible based on project type and/or location in the two categories listed below. The project is provided the maximum eligible award subject to the requirements, caps and limitations of the program.

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***Additional Grant Funding:**

EDA will analyze the developer's financing structure to verify a "gap" or financial need. This review may result in assistance of up to 20% of the total eligible costs, and up to 40% if the following criteria are evidenced:

1. Up to an additional 20% (i.e., a total maximum of up to 40%) if located in a one of the five Garden State Growth Zones (Atlantic City, Camden, Trenton, Paterson, and Passaic) ("GSGZ")
2. Up to an additional 10% (i.e., a total maximum of up to 30%) if the project is one or more of project types or located in one or more of the locations listed below. (See the Mapping Tool link at the bottom of this page for assistance in determining whether the project address is located in an eligible area.)
 - Located in a [distressed municipality](#) which lacks adequate access to one of the following:
 - Nutritious food, and will include either a supermarket or grocery store with a minimum of 15,000 square feet of selling space devoted to the sale of consumable products or a prepared food establishment selling only nutritious ready to serve meals.
 - Health care and health services and will include a health care and health services center with a minimum of 10,000 square feet of space devoted to the provision of health care and health services.
 - Transit project
 - Qualified residential project with at least 10% of residential units constructed/reserved for moderate income housing.
 - Located in a highlands development credit receiving area or redevelopment area
 - Disaster recovery project
 - Aviation project
 - Tourism destination project
 - Substantial rehabilitation or renovation of more than 51% of an existing structure(s)

Program Limits:

Commercial, and Residential, and Mixed Use Parking Projects

- The developer seeking a grant or tax credit through this program is required to have equity participation of at least 20% of the total project cost.

Commercial Projects:

- The term of each approved state redevelopment incentive grant agreement may extend for up to 20 years.
- The annual percentage amount of reimbursement shall not exceed an average of 75% of the annual incremental state revenues, and an average of 85% of the project's annual incremental revenues in a GSGZ.

Residential Projects:

- If receiving tax credits, the term of the grant is 10 years.
 - \$17,500,000, if the project is located in a municipality with a population greater than 200,000 according to the latest federal decennial census (Two cities qualify under the latest federal decennial census data, from 2010 - Newark and Jersey City.)
 - \$10,000,000 if the project is a disaster recovery project or located in a municipality with a population less than 200,000 according to the latest federal decennial census.
 - \$5,000,000 if the project is in a GSGZ.

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- Grant Limits – no grant amount can exceed the following limits:
 - \$40,000,000 per project if located in:
 - Deep Poverty Pocket
 - Distressed Municipality
 - \$20,000,000 per project if located in an ERG incentive area, and outside a Deep Poverty Pocket and Distressed Municipality
- Residential and mixed use parking projects are not subject to a net benefit analysis.

Residential and Mixed Use Parking Projects:

- If receiving tax credits, the term of the grant is each approved state redevelopment incentive grant agreement will be up to 10 years
- Residential and mixed use parking projects are not subject to a net benefit analysis.

Program Requirements:

Commercial, and Residential, and Mixed Use Parking Projects

- The redevelopment project must be located in a qualifying economic and redevelopment and grant incentive area (See Definitions link below).
- The developer must not have commenced any construction at the site of a proposed redevelopment project prior to submitting an application, except that if the EDA determines that the project would not be completed otherwise, or in the event the project is to be undertaken in phases, a developer may apply for phases for which construction has not yet commenced, subject to N.J.A.C. 19:31-4.6(a)2.
- A project financing gap must exist. ERG is an incentive for real estate development projects that have a financing gap, 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. The grant is not meant to be a substitute for conventional debt and equity financing, and applicants should generally have their primary debt financing in place before applying. In order for a project to be approved, it needs to undergo a rigorous analysis of the sources and uses of funds, construction costs and projected revenues. All of these metrics are compared to industry standard measures.
- All projects must meet Green Building Requirements. For guidance on these program requirements, please [click here](#). For questions regarding these requirements, please contact your EDA Business Development Officer.
- Any construction contracts associated with the project must use prevailing wage labor rates and meet affirmative action requirements.
- The developer must submit satisfactory evidence of actual project costs, as certified by a certified public accountant and evidence of a permanent certificate of occupancy, or such other event evidencing project completion as set forth in the incentive agreement, prior to the first disbursement of funds under the agreement or issuance of the tax credit under the approval letter, as applicable.

Commercial Projects:

- All commercial projects are subject to an analysis to verify that the revenues the State will realize from the project will be greater than the incentive being provided and an Internal Rate of Return (IRR) Hurdle Rate model to determine a funding gap. The Net Benefits analysis, developed by the EDA, utilizes employment statistics from current Regional Input-Output Modeling System II (RIMS II) data from the US Bureau Economic Analysis.
- Pursuant to a net benefit analysis, the overall public assistance provided to the project will result in net benefits to the state.
- There are no minimum Total Project Cost requirements under the commercial component of the ERG program.

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Residential Projects:

- For any project consisting of newly-constructed residential units, the developer shall be required, pursuant to P.L. 2008, c. 46 (N.J.S.A. 52:27D-329.9) to reserve at least 20% of the residential units constructed for occupancy by low or moderate income households, as those terms are defined in section 4 of P.L. 1985, c. 222 (N.J.S.A. 52:27D-304), with affordability controls as required under the rules of the Council on Affordable Housing, unless the municipality in which the property is located has received substantive certification from the council and such a reservation is not required under the approved affordable housing plan, or the municipality has been given a judgment of repose or a judgment of compliance by the court, and such a reservation is not required under the approved affordable housing plan.

Application Process:

All Applicants are required to submit an application via EDA's online application located at www.njeda.com/OnlineApplication. Applicants may apply to the EDA for a state incentive grant, and to the municipality for a local incentive grant. Please note, prior to starting the online application, all applicants must consult with an EDA Business Development Officer.

ERG applications for residential projects must be submitted no later than July 1, 2016.

ERG applications for commercial and mixed use parking projects must be submitted no later than July 1, 2019.

For residential projects, project must be completed with certificate of occupancy issued by July 28, 2019.

Fees:**

- Application fee: \$5,000
- Full amount of direct costs of any analysis by a third party retained by the EDA .
- Approval fee: 0.5% due before EDA Board Approval, for commercial projects not to exceed \$500,000, and for residential and mixed use parking projects not to exceed \$300,000. The fee shall be refunded if the Authority does not approve the incentive grant or tax credit.
- Issuance fee: 0.5%, for residential and mixed use parking projects receiving tax credits not to exceed \$300,000 and due at the receipt of tax credit certificate and; for all others (including commercial projects) not to exceed \$500,000 and due at the execution of the incentive agreement.
- Servicing Fee: for residential and mixed use parking projects receiving tax credits, \$2,500, due with the annual report.
- Tax Credit Transfer or Pledge: \$5,000 first request; \$2,500 each additional request made annually.
- Commercial Incentive Agreement Pledge or Assignment Fee: \$2,500
- Modification fee: \$5,000 (minor); \$25,000 (major).
- Extension Fee: \$1,000 (delegated, first 6 months); \$2,500 (Board action, second 6 months).
- Fee for Termination of Incentive to Receive New Incentive: \$5,000 (minor); \$25,000 (major)

**** All fees are non-refundable unless otherwise noted.**

Division of Taxation Tax Clearance Certificate required. Certificates must be requested through the [State of New Jersey's Premier Business Services \(PBS\) portal online](#)

- Under the Tax & Revenue Center, select Tax Services, then select Business Incentive Tax Clearance.
- If the applicant's account is in compliance with its tax obligations and no liabilities exist, the Business Incentive Tax Clearance can be printed directly through PBS.

Please note: It is the applicant/client's responsibility to maintain a current and clear tax clearance certificate. If a current and clear certificate is not evidenced to EDA at time of closing, EDA will not proceed with closing.

**** All fees are non-refundable unless otherwise noted**

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[Distressed Municipality List](#)

[Market Rates of Return Matrix](#)

[Mapping Tool](#)

[Transit Project Bus Terminal List](#)

[Courtesy Copy of Current ERG Program Rules, N.J.A.C. 19:31-4.1 through 4.14 *](#)

[Courtesy Copy of ERG Program Statute - New Jersey Economic Stimulus Act of 2009, N.J.S.A. 52:27D-489a through t](#)