

**STRONGER NJ**  
**NEIGHBORHOOD AND COMMUNITY REVITALIZATION**

**GUIDE TO PROGRAM FUNDS**

February 25, 2014

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**PREFACE**

To assist in the recovery from Superstorm Sandy, New Jersey received from the U.S. Department of Housing and Urban Development (HUD) an initial allocation of approximately \$1.8 billion of Community Development Block Grant Disaster Recovery (CDBG-DR) funds to be used to satisfy needs arising from the storm that are not satisfied by other funding sources. Governor Chris Christie tasked the New Jersey Economic Development Authority (NJEDA) to administer \$460 million of these funds to support the recovery of storm impacted businesses. Of this total, \$75 million will fund the Neighborhood and Community Revitalization (NCR) program.

Because of the severe damage to the economies of affected areas, NJEDA will support activities tied to economic growth and revitalization. The NCR program will support the long-term recovery of small businesses and communities by funding long-term economic revitalization priorities. It will also support projects that retain or hire new employees thus contributing to the State's economy.

The NCR program has three chief components: 1) Main Street Revitalization, 2) Development and Public Improvement Projects, and 3) Community Development Financial Institution (CDFI) assistance. Each of these is discussed below consecutively in Sections 1, 2 and 3. Funding allocated to these components is referenced in each section, and is presented without consideration to administrative and program delivery costs which, according to HUD rules and practices, may be up to 20% of total program funding. The funding figures referenced for each section are intended to serve as guides and should not limit the re-allocation of funding among and between the listed categories, even if the re-allocation zeros out a category. This allows NJEDA staff needed flexibility to respond to community needs and to meet the funding disbursement deadline referenced within this document of year-end 2015.

**SECTION 1 – MAIN STREET REVITALIZATION – Funding Allocation \$10 million**

To assist in the rebuilding and to support the recovery of economic activity in commercial corridors in impacted towns and cities throughout the state, NJEDA will provide financial assistance to support improvements such as, but not limited to, streetscapes, lighting, sidewalks, façade, code-related and other physical upgrades to commercial areas. This program will have its own parameters, criteria and requirements.

## **SECTION 2 – DEVELOPMENT AND PUBLIC IMPROVEMENT PROJECTS – Funding Allocation \$62.5 million**

Development and public improvement projects may receive grants and/or loans under the NCR program. The types of projects eligible for funding under this segment are described below followed by the parameters for both types of assistance. In general, funding under the NCR program is intended to assist projects located throughout New Jersey, focusing on those located in one of the 9 “most impacted” counties as determined by HUD (Atlantic, Bergen, Cape May, Essex, Hudson, Middlesex, Monmouth, Ocean, and Union). With the exception of the Priority Criteria stated below, applications for funding will be accepted on a rolling basis and considered for funding as they are ready. Per federal requirements, project applicants also must be able to demonstrate that the project is contributing to the revitalization of an area damaged by the storm, or that the project applicant or project itself has been damaged by the storm. Projects also must serve Low or Moderate Income (LMI) areas, create or maintain LMI jobs, remove slum or blight, or address an urgent need related to the Superstorm.

### **Project Types**

There are four types of development and public improvement projects for which this funding will be used: 1) Catalytic Projects, 2) Transformative Neighborhood Projects, 3) Recreation, Cultural and Park Land Amenities, and 4) Innovation Projects. Each is described below.

In general, the types of projects outlined below have specific, identifiable locations within municipalities, as well as costs associated with design and construction. They are generally not intended to be undertaken for the benefit of an individual business; rather, they generally are intended to benefit a diversity of occupants in the same location, or, alternatively, they are public improvement projects. Projects that will benefit individual businesses are encouraged to apply to the Stronger NJ Loan Program.

A project must be capable of utilizing the awarded funding under this program by year end 2015. Funds allocated to a revitalization project that do not meet the time requirement may be recaptured and may be reprogrammed. Projects must present a credible financial and development plan for completion and occupancy (if applicable), meeting the criteria listed in the Threshold Criteria section below.

- 1) Catalytic Projects – These projects are located in primarily commercial and/or industrial corridors or areas. They are planned physical improvements that have commercial or mixed uses, and when completed, will contribute to the economic development of the municipality in which they are located. Catalytic projects can involve the construction or rehabilitation of commercial and mixed-use buildings, parking, and supporting infrastructure such as, but not limited to, utilities, streetscape, drainage, etc. Commercial uses include, but are not limited to retail, office, hospitality, community, and industrial. Mixed uses include, but are not limited

to, the combination of more than one of the listed uses in this paragraph. Projects with a mix of uses that includes housing can only receive funding for the commercial component(s) of the project.

Further, Catalytic Projects likely will possess a number of additional characteristics. These may include, but are not limited to, having a positive impact on the municipality in which they are located through bringing needed goods and services to it, increasing health and safety and/or contributing to neighborhood stability and preservation. They also may expand the tax revenues for a municipality or contribute to other municipal income streams. These projects may result in growth of permanent employment opportunities, including opportunities for people of low and moderate incomes and leverage funding from other private, federal, city, county or voluntary sector sources. These projects also may incorporate green building standards according to NJEDA green building standards described on NJEDA's website, <http://www.njeda.com/web/pdf/greenbuildingguidanceoct2010.pdf>, and [http://www.njeda.com/web/pdf/INTERIM GUIDANCE GREEN BUILDING.PDF](http://www.njeda.com/web/pdf/INTERIM_GUIDANCE_GREEN_BUILDING.PDF), and may incorporate resiliency and mitigation. In general, Catalytic Projects are of considerable scale such that they cause, can be reasonably expected to cause or are a contributing factor in the attraction of additional investment in the surrounding area.

- 2) Transformative Neighborhood Projects – These projects have the same characteristics as Catalytic Projects, except that they primarily will be located in residential areas.
- 3) Recreation, Cultural and Park Land Amenities – These projects are planned physical improvements that have recreational or cultural uses. They are located in commercial, residential, existing or planned park areas, and when completed, will contribute to the economic development and/or physical improvement of the municipality in which they are located. These projects can involve the construction or improvement of parks, recreational structures, boardwalks and esplanades, cultural and community facilities; and supporting infrastructure such as, but not limited to, utilities, streetscape, signage, and drainage.
- 4) Innovation Projects – These projects have the same attributes as Catalytic Projects described above, but may be of smaller scale and involve multi-tenant technology business development. This may involve the creation of specialized space, such as laboratory and other research and development, to be used by technology businesses. These may be stand-alone projects and also may be discrete parts of a larger development.

## **Criteria**

**Threshold Criteria** - Projects must meet the following criteria. Assistance also is subject to availability of funds.

- 1) The project fits at least one of the four Project Types described above.
- 2) For-profit developers, businesses, redevelopment agencies and other eligible non-profits must meet the US Small Business Administration (SBA) definition of a small business. (Government entities such as counties and municipalities do not need to meet this definition.)
- 3) The project must show a clear ability to utilize the awarded funding such that all disbursements will be made by NJEDA for the project by December 31, 2015.
- 4) The project meets one of the following National Objectives:
  - a. Urgent Need
  - b. Low and Moderate Income (LMI) Employment Creation
  - c. Low and Moderate Income Area Benefit
  - d. Slum and Blight Reduction

**NOTE:** "LMI" refers to the HUD definition of low and moderate incomes based upon median incomes by census tract; "Slum and Blight" refers to Areas in Need of Redevelopment or Rehabilitation, as defined by the Local Redevelopment and Housing Law, N.J.S.A. 40A:12A-1, et seq. and other conditions such as vacant property.

- 5) Projects located in one of the 9 "most impacted" counties must demonstrate that either, they are contributing to the revitalization of an area damaged by the storm, or have themselves been physically damaged by the storm. A project located outside the 9 counties must demonstrate that it has been physically damaged by the storm, or has a nexus to the storm pursuant to the Stafford Act, as applicable.

**Priority Criteria** - Projects will be prioritized based on their location in a low or moderate income community as HUD defines low and moderate incomes by census tract. Only applications located in these areas will be considered for funding for the first six weeks following the launch of the NCR program. Should the Authority be in the position of considering more than one project that meets the program requirements and insufficient funding to assist all, EDA will consider primarily the community in which the project is located with the greater impact from the Superstorm as the basis for determining which project to fund. Secondarily, EDA will consider the economic impact of the project.

**Underwriting Analysis** – All projects must undergo an underwriting analysis. This will include, but is not limited to, the items listed below.

- 1) The project must show financial feasibility and operational sustainability as determined by a review, as applicable, of such items as, but not limited to, the applicant's liquidity and leverage, general financial health of the applicant, a credible mechanism for funding any remaining gap between sources and uses including funding through this program, commitment of other funding sources, sufficient projected cashflow to support the project, and market demand for the project. Financial feasibility and operational sustainability will be determined for public improvement projects undertaken by local and county governments by a review, as applicable, of such items as, but not limited to, a credible mechanism for funding any remaining gap between sources and uses including funding through this program, and commitment of other funding sources.
- 2) The project must show a clear ability to utilize the awarded funding such that all disbursements will be made by NJEDA for the project by December 31, 2015. This will be determined by such items as, but not limited to, site control, site plan approval, and project development timeline which reflects needed completion within the December 2015 deadline.
- 3) The project does not duplicate benefits related to recovery provided by other governmental and non-governmental sources captured within the duplication of benefits analysis, and shows a gap in funding for the project. To calculate this gap, the entity must show unmet needs eligible for funding after accounting for funding received from other sources including, but not limited to, private insurance, disaster funding administered by a State of New Jersey entity, SBA and FEMA. Monies received from private loans, private lines of credits or other similar sources do not implicate the duplication of benefits analysis.
- 4) All projects must demonstrate a project funding gap through a detailed statement of funding sources and uses and provide other evidence as may be available demonstrating effort to secure funding from other sources and additional capital through conventional business means. Public improvement projects undertaken by local and county governments need not demonstrate effort to secure funding from conventional business means.
- 5) Where applicable, a lower than market Internal Rate of Return (IRR) will be used as an indicator of need for funding; conversely, where applicable, a higher-than-market IRR will be used as an indicator of reduced need for funding. This will not apply to Recreation, Cultural and Park Land Amenity projects.

- 6) Costs associated with the project must be demonstrated to be reasonable and will undergo cost reasonableness testing. This will include a preliminary cost reasonableness check completed on a 12-month projection, if applicable, and actual costs will be tested before each disbursement.

### **Eligible Uses**

The eligible uses of funds include, but are not limited to, the following:

- 1) Construction and/or rehabilitation of: buildings intended for mixed, commercial and/or industrial uses; parking facilities; parks; recreational areas; recreational structures; boardwalks and esplanades; and cultural and community facilities. Eligible costs include general contracting, project and construction management services provided by firms external to the applicant. Projects with a mix of uses that includes housing can only receive funding for the commercial component(s) of the project. (Operating capital for such projects involving existing technology incubators is not considered an eligible use.)
- 3) Property acquisition and assembly – these activities are allowed provided that they can be concluded by year end 2015 and a credible financial and development plan is presented for the reuse of the land that can be started within one year after land acquisition. Non-profits and redevelopment agencies will be required to ensure that the use of the land identified at time of application is maintained for a period of 5 years.
- 4) Demolition and clearance
- 5) Environmental investigation and remediation such as, but not limited to, lead-based paint abatement, asbestos abatement, PCB remediation, and interior (soft) demolition
- 6) Pre-development costs such as architectural and engineering services, feasibility studies, site preparation, other construction-related services, and other soft costs such as accounting, legal, and financing costs that can be clearly demonstrated to be related to the project
- 7) Mitigation measures – construction and related costs due to new building codes or other required improvements that will allow entities to reduce the cost of or secure flood insurance, or which are otherwise necessary to prevent future storm damage
- 8) Infrastructure, owned or to be owned following completion by a municipality or public authority, including but not limited to water, sewer, drainage, utilities, roads, sidewalks, streetscape, signage, landscaping, paving, greenspace, and other such

enhancements that support the project. These costs **are** eligible if in connection with a housing project.

- 9) Infrastructure, owned or to be owned following completion by a private entity, including but not limited to water, sewer, drainage, utilities, roads, sidewalks, landscaping, paving, greenspace, and other such enhancements that support the project. These costs **are** eligible if in connection with a housing project.

### **Eligible Applicants**

Eligible applicants include the following legally formed entities, subject to the listed restrictions and conditions below per federal regulations.

- 1) For profit developers
- 2) Municipal or State redevelopment agencies undertaking projects themselves (as opposed to providing funding to projects undertaken by other parties), including those formed to manage the redevelopment of a former military base closed by Defense Base Closure and Realignment Commission (BRAC) action, and other eligible economic development non-profits. Eligible non-profits are entities involved in commercial or industrial activities, or those that have facilities which provide a public service that furthers economic development. (Religious-affiliated non-profits, such as churches, may utilize the funding **only** for renovation or new construction of portions of a physical structure with non-sectarian uses.)

**NOTE:** Funding for projects being undertaken by these entities may be provided as subrecipients of Community Development Block Grant – Disaster Recovery (CDBG-DR) funding, as necessary according to CDBG-DR requirements. These non-profits will be required to adhere to the requirements of being a CDBG-DR administering entity.

- 3) Municipalities and counties undertaking publically owned or to be publically owned projects, and projects which may include a privately owned portion.

### **Restrictions:**

- 1) Per federal regulations, casinos and gambling facilities are **not** eligible.
- 2) Per federal regulations, privately-owned recreational facilities that serve a predominantly higher-income clientele, where the recreational benefit to users or members clearly outweighs employment or other benefits to low- and moderate-income persons, are **not** eligible. (Examples may include private golf courses, country clubs, and yacht clubs.)

- 3) Per federal regulations, projects located in Coastal Barrier Resource Areas (CBRAs) are not eligible.
- 4) Per federal regulations, any entity located in a Special Flood Hazard Areas, receiving loan funding, and utilizing funding for construction, renovation or purchase of equipment, machinery, or fixtures greater than \$5,000 (including installation), will be required to have or purchase flood insurance for the term of the loan. Funding received in the form of a grant will be required to carry flood insurance for the life of the asset. This requirement applies to all applicants for this funding.
- 5) Business and non-profit applicants must be registered to do business in New Jersey. Governmental entities do not need to comply with this requirement.
- 6) The applicant must be in good standing with the State of New Jersey, Division of Taxation as evidenced by a tax clearance certificate. Governmental entities do not need to comply with this requirement.
- 7) The applicant must be registered with Dun and Bradstreet, and have a DUNS number. This also applies to governmental entities.
- 8) To the extent practicable, funds are disbursed on a pro rata basis with other funding provided to the project.

**Conditions:**

- 1) The project must undergo federally required environmental and/or historical reviews, where applicable.  
**(Note:** If an environmental review is required, all construction and ground-disturbing work must cease until this review is completed. This includes any construction and ground-related work following acquisition.)
- 2) The project must comply with federal Davis Bacon and State Prevailing Wage requirements for labor, as applicable.
- 3) The project must comply with Affirmative Action requirements for labor, as applicable.
- 4) The project must comply with Section 3 of the Housing and Community Development Act of 1968, where applicable. Among other things, this requires developers to give preference to business concerns located in the community where the project is being undertaken and low- and very low-income persons.

## **Product Descriptions and Terms**

### **General**

The following parameters and terms apply to the Grants and Loans available under this segment.

- 1) **A maximum of \$10 million of combined Grants and Loans per project is permitted. This includes the Stronger NJ Loan, if applicable, but does not include a Stronger NJ Grant.**
- 2) Projects that can support debt service will be considered for eligibility first and funding under the Stronger NJ Loan Program, per the parameters described below. Projects exhausting the Stronger NJ Loan Program resources and/or which do not fit the Loan Program parameters will be considered for loan funding under the NCR program.
- 3) Funds may be provided during construction or upon project completion.
- 4) Funds will be disbursed upon the presentation of invoices or other such substantiation of work completion for requested disbursement, upon cost reasonableness testing, and upon inspection of such work completion. Costs already incurred between the date of the Superstorm and the date of application may be reimbursed as “pre-application” expenses if they met the CDBG-DR funding requirements when they were incurred.
- 5) All funds requested for a project must be applied for at the same time; partial funding requests are prohibited.

### **Grants**

- 1) Up to \$5 million for Recreation, Cultural and Park Land Amenities, for any Eligible Uses (as described in the Eligible Uses section above) associated with such projects.
- 2) Up to \$5 million for environmental investigation and remediation and associated predevelopment and development costs (as described in the Eligible Uses section above) for Catalytic Projects, Innovation Projects, and Transformative Neighborhood Projects.
- 3) Up to \$10 million for demolition and clearance, and associated pre-development costs to State redevelopment agencies undertaking projects themselves (as opposed to providing funding to projects undertaken by other parties), including those formed to manage the redevelopment of a former military base closed by a BRAC action. These may be structured as equity investments or joint ventures.

## Loans and Forgivable Loans

- 1) Up to a maximum of \$10 million for projects with projected income streams able to support debt service, with 25% of the loan forgiven upon project completion and issuance of a permanent Certificate of Occupancy. If eligible for the Stronger NJ Loan Program, the Loan Program resources must be exhausted before NCR loan funding can be utilized. The overall maximum of \$10 million per project, including the Stronger NJ Loan, applies.
- 2) Typical uses for the up to \$10 million of loan funding are anticipated to include construction and/or rehabilitation of: buildings intended for mixed, commercial and/or industrial uses; parking facilities; and mitigation measures for these uses
- 3) Up to \$5 million for infrastructure that is owned or upon completion will be owned by a municipality or public authority and associated predevelopment costs (as described in the Eligible Uses section above). Loans for these purposes will be forgiven 100% upon transfer of ownership to the municipality or public authority; or if already owned by a municipality or public authority, then upon completion of the infrastructure portion of the project.

**NOTE:** If flood insurance on the infrastructure is required because of the location of the improvements in a Special Flood Hazard Area, then flood insurance will be required for the life of the asset.

- 4) Terms – both construction and/or permanent financing are available according to the terms of the Stronger NJ Business Loans currently available as summarized below with the exception that loans need not close within 60 days of approval:
  - a. Up to 100% of project costs not covered by other sources, including owner's equity, if applicable.
  - b. 2 year principal payment moratorium for construction loans, or until Temporary Certificate of Occupancy is issued, whichever comes first, as applicable
  - c. 0% interest rate for first 2 years; thereafter, the interest rate will be the 5 year US Treasury rate, fixed at closing for terms of up to 10 years. For terms greater than 10 years, rates will be reset every 10 years; Default rate will be the rate in effect at the time of default plus 500 basis points.
  - d. Up to a 30 year term based on the purpose of the loan and the useful life of any assets to be financed
  - e. Lien on all assets taken as collateral. NJEDA will subordinate its loan (in lien position only, not payment) to all senior lenders and existing liens. A notice of

lien will be filed on funded assets with recourse to the developer or applicant entity, as applicable

- f. Guarantees required for all individuals or entities having a 20% or greater ownership position in the applicant or operating company, as applicable
- g. For renovation, new construction or equipment, a cash or cash equivalent equity contribution of 5% will be required if liquid assets of the project developer or guarantors are greater than 2xs the amount of project costs.
- h. Flexibility in terms may be available for projects which are leveraging New Markets Tax Credits transactions
- i. All disbursements must be complete by December 31, 2015.

### **Application Process**

An In-Take Application is being made available on NJEDA's website, <http://www.njeda.com/web/pdf/ncrintakeform.pdf>, which gathers general information about the applicant and project. Once completed and submitted, NJEDA will review the project to determine if it falls within the program parameters. If the project is determined at NJEDA's sole discretion to meet the basic parameters of the program, the project applicant will be asked to provide additional information and submit further details regarding the project for review and funding consideration. All applications that satisfy the program requirements and are considered for funding will be brought to NJEDA's Board for action.

### **Appeal Process**

An applicant may appeal NJEDA's decision by submitting in writing to NJEDA no later than 20 calendar days from the date of the denial, an explanation as to how the applicant has met the program criteria. Such challenges are not contested cases subject to the requirements of the Administrative Procedure Act, N.J.S.A. 52:14B-1 et seq., and the Uniform Administrative Procedure Rules, N.J.A.C. 1:1. The CEO of NJEDA shall designate an employee of NJEDA to serve as a hearing officer for the challenge and to make a recommendation on the merits of the challenge to the Board according to the attached process.

### **Reporting Requirements**

Approved projects will be subject to all reporting required by the CDBG-DR program, including, but not limited to: National Objectives, labor requirements, procurement requirements, and environmental requirements. To the extent other reporting requirements may apply, the entity will be made aware of those requirements and will have to provide information sufficient to satisfy those requirements.

### **SECTION 3 - FUNDING FOR CDFIs – Funding Allocation \$2.5 million**

Up to \$500,000 in grant funds per CDFI is being made available to fund loans to small businesses made through their currently existing lending programs. CDFIs must demonstrate experience with administration of federal funding as well as organizational capacity, lending experience, servicing and portfolio management. CDFIs also will need to satisfy the requirements of a Community Based Development Organization (CBDO), which include having a mission to serve communities and performs at least one of the following types of activities: economic development, neighborhood development or energy efficiency. The loans made with CDBG-DR funding will need to be extended for CDBG-DR eligible uses and must comply with the requirements of CDBG-DR funding including, but not limited to, satisfaction of a National Objective, Duplication of Benefits, environmental and historic review, the disbursement timeframe of year end 2015, and reporting. These loans also must be made to businesses located within the 9 “most impacted” counties. Loans made by the CDFIs are anticipated to be for working capital uses. Funding uses including furniture, fixtures, machinery and equipment, and machinery and equipment installation that together exceed \$5,000 will trigger the construction-related requirements.

Any funding repaid to the CDFIs as a result of their lending activity and any program income earned on the use of CDBG-DR funding is not required to be repaid to NJEDA. However, these funds will be required to be used for economic development activities in the future including, but not limited to, small business lending, technical assistance and other expenses satisfactory to NJEDA.