



MEMORANDUM

TO: Members of the Authority

FROM: Timothy Sullivan
Chief Executive Officer

DATE: October 12, 2023

SUBJECT: Local Property Acquisition Grant Program

Request:

The Members are asked to approve:

1. Creation of the Local Property Acquisition Grant Program (the “Program”) - as a pilot program to provide grant funding to municipalities, municipal entities, counties, county entities, and/or not-for-profit local economic and community development entities for the acquisition of property in order to facilitate and enable the future redevelopment of such properties in support of local or regional economic development priorities through two funding products for either Acquisitions for Strategic Public Uses or Acquisitions for Future Development Projects.
2. The utilization of \$25,000,000 from the Fiscal Year 2023 Appropriations Act to capitalize the Program including up to 4% or \$1,000,000 of the \$25,000,000 funding to be used by the Authority to cover administrative costs of the Program.
3. Delegated authority to the Authority’s CEO to adjust funding amounts for each product based on application volume of each product.

Background and Program Funding Source:

On June 30, 2022, Governor Murphy signed the Fiscal Year 2023 Appropriations Act (“Act”) into law. The Act allocated significant State funding to the Authority for numerous strategic economic development investments to support key industries, advance the innovation economy, continue to bolster recovery, and spur statewide growth. These strategic investments include \$70 million for Real Estate Project Funding. Staff proposes utilizing \$25 million from that budget line-item appropriation to provide funding to create the Local Property Acquisition Grant Program. Of the Program funding, Staff proposes using approximately \$24,000,000 for funding to eligible applicants for approved projects and up to \$1,000,000 (4%) for program administrative costs.

Upon receipt of the funding from the State, staff will deposit the funds in the Economic Recovery Fund (“ERF”). The use of the funds, and this Program, will be administered in

accordance with the ERF statute (N.J.S.A. 34:1B-7.13(a)(5)) as financial assistance to assist municipalities, municipal entities, counties, county entities, and/or not-for-profit local economic and community development entities for the Program and Eligible Uses indicated.

Program Overview and Eligible Projects:

The Local Property Acquisition Grant Program will be a competitive grant program that deploys \$25 million by providing funding to eligible applicants, as described below, for the acquisition of a vacant site, building, facility, or collection of properties (“Project”) in order to facilitate and enable the future redevelopment of the property/ies within a defined time period and in support of local or regional economic development plans and priorities (the “Supplemental Use”). The Program is designed to address a significant barrier to undertaking and implementing local development and redevelopment projects.

The Program will support two products: (1) approximately \$3 million for Acquisitions for Strategic Public Use, and (2) approximately \$21 million for Acquisitions for Future Development Projects. The parameters of each product are detailed below.

Based on application volume and requested project funding amounts, NJEDA staff is requesting delegated authority for the Authority’s CEO to adjust these estimated amounts for each product and move excess funding (that is, funding remaining after accounting for all applications) between the Acquisitions for Strategic Public Use to the Acquisitions for Future Development Projects or vice-versa but within the overall \$25,000,000 Program funding allocation.

As part of the application, Applicants must provide evidence of site control or a path to site control as further described below.

As part of the application process, applicants must describe in detail the Supplemental Use based on the parameters for the respective Strategic Public Use and/or the Future Development Projects product which they apply to. The restrictions and compliance monitoring with regard to the proposed use are described below.

The Program is intended to provide funding for acquisitions of properties that are then developed/redeveloped in connection with or in support of local planning efforts and cannot be used for land banking of properties. As such, it is anticipated that property acquisitions will occur within 18 months of the funding award (Grant Agreement) and that the future Supplemental Use would typically be undertaken and completed within three years following the property acquisition. The required deadlines for the property acquisition and commencement and completion of the Supplemental Use project will be based on the applicant’s schedule. As noted in the scoring section below, readiness to proceed with the property acquisition and the reasonableness of the proposed timeline for the Supplemental Use project are scoring factors and point considerations.

In order to provide Grants and support projects in several different municipalities, a maximum of one Project per product application category (Acquisitions for Strategic Public Use or Acquisitions for Future Development) located within a municipality may be funded, with the exception that a maximum of two Projects per product application category (Acquisitions for Strategic Public Use or Acquisitions for Future Development) located within either a Transitional Aid Community (as determined by the Division of Local Government Services in the Department of Community Affairs) or a Government Restricted Municipality (as defined in Sections 55 and 69 of the Economic Recovery Act of 2020) may be funded.

Acquisitions for Strategic Public Use Product

Project property acquisition(s) and the proposed subsequent Strategic Public Use project must foster or support existing, ongoing, or planned development as part of an overall plan for property improvements and increased public access in the area proximate to the Property.

Eligible Supplemental Uses for Strategic Public Use projects must be publicly accessible spaces for the community which may include pedestrian plazas, pocket-parks, community parks, community gardens, public walkway/access, public parking lots/garages, or other similar public spaces.

Ineligible types of Supplemental Uses for Strategic Public Use projects include public infrastructure projects such as for transport, energy, communication, water, wastewater, or general public works.

The minimum grant request for Acquisitions for Strategic Public Use projects is \$50,000 and the maximum grant request is \$1,000,000.

Acquisitions for Future Development Projects Product

Project property acquisition(s) and the proposed subsequent Future Development Project must support planned development/redevelopment efforts in the area proximate to the Property.

Eligible Supplemental Uses for Future Development Projects (substantial rehabilitation and/or new construction) are limited to:

- Mixed-use developments; any residential portion must comply with the 20% reservation for low- and moderate-income households required by N.J.S.A. 52:27D-329.9(b)
- Transit Oriented Development
- Cultural, Arts, Performing Arts
- Commercial (including office and/or supermarkets/grocery stores)
- Manufacturing/Industrial
- Research/Laboratory

Supplemental Uses for Future Development Projects consisting solely of warehouse, solely of residential, or primarily for government/educational uses are ineligible for funding.

The minimum grant request for Acquisitions for Future Development Projects is \$50,000 and the maximum grant request is \$4,000,000.

Eligible Applicants:

Eligible applicants are municipalities, municipal entities, counties, county entities, and not-for-profit local economic and community development entities.

Additional applicant requirements:

Must be in substantial good standing with the New Jersey Department of Labor and Workforce Development and the New Jersey Department of Environmental Protection at the time of application to be eligible. A current tax clearance certificate must be provided prior to approval to demonstrate the applicant is in substantial good standing with the New Jersey Division of Taxation, unless the applicant is not required to register with the Division of Taxation.

Eligible Uses of Funding:

Funding can only be used for the real estate acquisition and related closing costs of the Project specifically approved based on the application, Authority review, and funding grant agreement. Grants will be used for prospective real estate acquisition costs plus closing costs typically included as part of a closing settlement statement and related transaction legal costs.

Funding cannot be used for due diligence-related costs.

Properties already purchased/acquired are not eligible for reimbursement through this Program.

Purchase of government-owned property is not eligible.

Application Process:

The Program will be a competitive grant program with applications due by a set deadline. Applications must demonstrate that there is a plan for the respective Strategic Public Use and/or Future Development Project property within the specified timeframe. Online applications will be accepted during a defined, minimum 60-day application period, and all applications will be reviewed following the closure of the application period. All applications must include a Municipal Letter of Support.

As part of a Program application, the Authority will request information about both the Project and the proposed Supplemental Use depending on which Grant Funding product is being applied for (either the Acquisitions for Strategic Public Use or Acquisitions for Future Development Projects), which may include, but which is not limited to:

- 1) Evidence of site control or a path to site control (i.e. some level of right to acquire the property/ies) which may include letter of intent, purchase offer with purchase terms, purchase and sale agreement contingent on funding award, any/all of which must be fully signed by both seller and purchaser/applicant; or in rare situations may include an accepted settlement agreement as part of approved eminent domain proceedings and/or other final decision of an administrative or judicial governmental process resulting in the transfer of title or possession
- 2) Municipal Letter of Support
- 3) Project overview – description of overall proposal for the acquisition and the proposed future Supplemental Use, describing the property/building(s) (i.e. vacant, abandoned,

- code violations, recent uses, any local, state, or federal historic designation/eligibility, brownfield site, location within designated redevelopment area, etc.); current or planned development/redevelopment efforts in the area proximate to the Property; need for and benefits of the proposal, anticipated economic and local impact, consistency with state and local economic development objectives, projected jobs creation, anticipated local impacts including possible projected increase in pedestrian traffic and public access;
- 4) Project location – description of neighborhood and surrounding area, whether an incentive area, walkable area, brownfields or historic designation, other development occurring near/surrounding the proposed project;
 - 5) Narrative (and documents as may be applicable) describing the viability/feasibility of the proposed acquisition and development including current zoning status, local supports, identification of possible complexities or challenges with proceeding, and a preliminary project budget and funding plan;
 - 6) Project development timeline/implementation schedule indicating readiness to proceed for both the acquisition of the property/ies and for the future supplemental use;
 - 7) Applicant’s organizational documentation and/or authorizing documentation;
 - 8) Narrative and documentation of experience and capacity to undertake and complete the property acquisition and the proposed supplemental use;
 - 9) Project Budget including property(ies) acquisition price(s) and closing costs and proposed source and status of other funding for the property acquisition.

Note that project viability and readiness to proceed/timelines are scoring factors and considerations. Applicants should provide as much detail as possible regarding the steps involved and projected timeline for the initial property acquisition and undertaking and completing the future supplemental use project if Grant funds are awarded.

The Authority will perform a review of applications after the closing of the application period. Applications will first be reviewed for application completeness. Applicants will be given ten business days to cure any deficiencies. If at the end of the cure period, the applications are still incomplete, they will be notified the application will not be advancing to be scored and will be deemed nonresponsive.

At the sole discretion of the Authority, staff may ask for clarification of the information included in the application, including but not limited to narrative responses, supporting documentation, and attachments.

Scoring:

Applications will be reviewed and scored by staff of the Authority formed as an evaluation scoring committee. Applications will be scored on a scale of 0 - 100 points, with award recommendations limited to applications that meet or exceed the minimum score requirement of 65 points.

Scoring factors and points will include:

- Overall proposal concept for Property Acquisition and the proposed Supplemental Use of the property *(up to 35 pts)*
- Location and Local Impact *(up to 20 pts)*
- Experience & capacity of applicant *(up to 20 pts)*
- Readiness to proceed with Property Acquisition *(up to 10 pts)*
- Viability of the proposed Supplemental Use project and reasonableness of the proposed timeline for the Supplemental Use project *(up to 15 pts)*

Grants Project Funding:

Minimum grant funding of \$50,000 per Project.

The maximum grant funding for acquisitions for Strategic Public Use projects is \$1,000,000. The maximum grant funding for acquisitions for Future Development Projects is \$4,000,000.

Grant funding may not exceed 80% of the property appraised value plus closing costs typically included as part of a settlement statement and related transaction legal costs, except for projects located within either a Transitional Aid Community or a Government Restricted Municipality where Grant funding may account for 100% of the property appraised value plus closing costs typically included as part of a settlement statement and related transaction legal costs.

No applicant may receive more than two grant awards.

Board Approval:

The Grant Program will be a competitive grant program with an application process as outlined above.

Following both the initial application completeness and eligibility review, eligible applications will be evaluated and scored on a competitive basis. Applications that meet the minimum score requirement of 65 out of a possible 100 points will be eligible for funding.

Applications for Acquisitions for Strategic Public Use projects will be recommended to the Board for award approval starting with the highest scored application until the anticipated \$3 million funding is awarded. Applications for Acquisitions for Future Development Projects will be recommended to the Board for award approval starting with the highest scored application until the anticipated \$21 million funding is awarded. The Delegated Authority provided in this Memo will allow for the Authority's CEO to adjust funding amounts for each product based on the demand of each product but within the overall \$25,000,000 Program funding allocation.

Note that since a maximum of one Project per product application category (Acquisitions for Strategic Public Use or Acquisitions for Future Development) located within a municipality may be funded, with the exception that a maximum of two Projects per product application category (Acquisitions for Strategic Public Use or Acquisitions for Future Development) located within either a Transitional Aid Community or a Government Restricted Municipality may be funded, once any respective maximum is reached, no additional projects in that municipality will be awarded funding.

If an applicant requests grant funding for an eligible project but there are not sufficient Program funds available to fund the full grant request, the Authority will inform the applicant of the amount of grant funds available. If the applicant wishes to proceed, the applicant will be required to commit to and then fund the difference to fill the gap to ensure the submitted project proposal is undertaken as described.

If all program funds are not awarded during the initial application period, then applications will be reopened on a rolling basis and grants awarded on a first come, first served basis to eligible applicants that meet the minimum score (subject to the limit on awards per product application category per municipality).

All eligible applications will proceed to the Board for approvals, and all applications which have not been declined due to non-discretionary reasons will also proceed to the Board.

Grant Agreement and Funding Disbursements:

The Authority will disburse grants only to the applicant. The applicant shall be responsible for assuring the compliance of the project with all terms and conditions of the application and the Program funding requirements.

Once a project is approved for funding, the Authority will enter into a grant agreement (“Grant Agreement”) with the applicant detailing the project to be funded, eligible Project costs, the amount of grant funding, and all financial programmatic requirements including the amount of other funding as may be applicable. The Grant Agreement will detail timelines for both the Project property acquisition and the proposed Supplemental Use project based on the project schedule included in the application and the project approval. At the Authority’s sole discretion, the Authority may grant up to two six-month extensions.

The Grant Agreement will detail state requirements. All Strategic Public Uses and Future Development projects that are developed/redeveloped as a result of Local Property Acquisition Grant Program funding shall be subject to compliance with New Jersey prevailing wage law and compliance with other labor standards requirements, as well as other state requirements which may be applicable depending on project details and funding amounts including possibly New Jersey Executive Order 215 of 1989 regarding Environmental Assessments.

Additionally, the Grant Agreement will have a deed restriction to ensure that both the Project Property Acquisition and the planned Supplemental Use for either the proposed and approved Strategic Public Use or Future Development Projects do occur within the project development timelines based on the application submission and the Authority’s approval. The deed restriction for property acquisitions for Strategic Public Use will also indicate that the property is to be used long-term as and for publicly accessible space.

The Grant Agreement will also detail the Authority’s rights for approval of any sale/transfer of the Property(ies) including reviewing the reasonableness of the proposed sales/pricing. The Grant Agreement will further indicate that prior to the sale of a property for a Future Development Project, the applicant will submit to the Authority the proposed sales contract and the proposed Future Development Project financials for the Authority’s review and approval.

If the proposed sales price is equal to or greater than the fair market value (based on appraisal), then upon sale of a property for a Future Development Project, the Authority will allow an applicant/grantee to retain up to 15% of the Grant amount as an administrative fee and the

applicant/grantee shall return to the Authority an amount equal to: the Authority's proportionate share of the (future sales price of the property/ies - 15% of the EDA Grant amount attributable to the original property/ies acquisition).

If the proposed sales price is less than the fair market value (based on appraisal, the Authority will then review the project financials that the designated developer/redeveloper proposes against the Authority's financial analysis hurdle rate model to ensure that the sales price and project financials are reasonable (that is, at or below the hurdle rate). If project financials and estimated internal rate of return are at or below the hurdle rate, then upon sale of a property for a Future Development Project, the Authority will allow an applicant/grantee to retain up to 15% of the Grant amount as an administrative fee and the applicant/grantee shall return to the Authority an amount equal to: the Authority's proportionate share of the (future sales price of the property/ies - 15% of the EDA Grant amount attributable to the original property/ies acquisition).

If the proposed sales price is less than the fair market value (based on appraisal) and the project financials and estimated internal rate of return are above the hurdle rate, the proposed future sales transaction would require Authority Board review.

The grant funds will be disbursed for the Project (the acquisition of the property/ies approved for funding) upon documentation of acquisition and related closing costs. If other funding sources are part of the approved project, then the grant funds would be prorated per the approved project budget.

Fees:

The standard \$1,000 non-refundable application fee established in the Authority's fee rules will be charged for the Program except as noted below.

Pursuant to N.J.A.C. 19:30-6.7, the Authority may grant a fee waiver when the imposition of a fee would impose an undue financial hardship. Pursuant to this authority, the board is requested to approve a fee waiver for municipal/municipal entity applicants of municipalities located in municipalities with 2020 Municipal Revitalization Index (MRI) scores in the top 10% of all municipalities statewide.

Recommendation:

The Members are requested to approve: (1) the creation of the Local Property Acquisition Grant Program as a pilot program to provide grant funding to municipalities, municipal entities, counties, county entities, and/or not-for-profit local economic and community development entities for the acquisition of property in order to facilitate and enable the future redevelopment of such properties in support of local or regional economic development priorities through two funding products for either Acquisitions for Strategic Public Uses or Acquisitions for Future Development Projects; (2) the utilization of \$25,000,000 from the Fiscal Year 2023 Appropriations Act to capitalize the Program including up to 4% or \$1,000,000 of the \$25,000,000 funding to be used by the Authority to cover administrative costs of the Program; and (3) delegated authority to the Authority's CEO to adjust funding amounts for each product based on application volume of each product.



Tim Sullivan, CEO

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Attachments:

– Local Property Acquisition Grant Program Specifications