MEMORANDUM

TO: Members of the Authority
FROM: Timothy Sullivan
Chief Executive Officer
DATE: May 22, 2020
SUBJECT: Agenda for Board Meeting of the Authority May 22, 2020

Notice of Public Meeting

Roll Call

CEO’s Report to the Board

Authority Matters

Public Comment

Adjournment
MEMORANDUM

To: Members of the Authority

From: Tim Sullivan

Date: May 22, 2020

Re: May 2020 Special Board Meeting

For the past few months, New Jersey and the rest of the world have struggled with the coronavirus pandemic. Not only have we faced tragic sickness and loss of life, but the only proven interventions to slow the spread of this terrible disease have massively disrupted our economy, with the worst effects concentrated in our most vulnerable communities.

The NJEDA has played a vital role in mitigating these economic impacts, but our resources are limited. To date, we have provided $5.5 million in grants to over 1,660 small businesses across all 21 counties and have approved nine companies for $487,688 in loans and have closed two. Earlier this week, we closed on our first loan, which will help a woman-owned small business in Monmouth County move forward. These have been crucial interventions, but for every business we helped, thousands more were left in need.

Today I am proud to bring to your consideration Phase 2 of our Small Business Emergency Assistance Grant Program. Using $50 million in funding from the federal Coronavirus Relief Fund, this expanded program will provide grants to a significantly broader array of businesses than were eligible during Phase 1, including home-based businesses and sole proprietorships. To ensure funding goes to businesses and communities that need it most, $15 million of Phase 2 funding will be set aside to support qualified businesses located in one of the 715 census tracts that were eligible to selected as a New Jersey Opportunity Zone.

To ensure eligible businesses have the information and support they need to successfully apply for the expanded grant program, especially in underserved and non-English speaking communities, we will conduct extensive outreach to local business and economic development leaders, legislators, elected officials, chambers of commerce, and other partners across the state.

Of course, this intervention will not end the economic hardship COVID-19 has created. We are facing a global economic slowdown of never-before-seen proportions. However, this program will allow us to meaningfully support thousands of businesses, workers, and communities and that is an essential step that will move us that much closer to our goal of a speedy and robust recovery.
MEMORANDUM

TO: Members of the Authority

FROM: Tim Sullivan
Chief Executive Officer

DATE: May 22, 2020

RE: Use of Coronavirus Relief Fund appropriation and Creation of Small Business Emergency Assistance Grant Program - Phase 2

Summary

The Members are asked to approve:

1. Delegation to Authority staff (Chief Executive Officer) to execute a Memorandum of Understanding with the New Jersey Department of the Treasury whereby the EDA will accept $51 million in funds from the Coronavirus Relief Fund and agree to comply with federal requirements for the use of those funds;

2. Reimbursement from the Coronavirus Relief Fund of the $5 million used for the initial phase of the pilot Small Business Emergency Assistance Grant Program and use of an additional $5 million from NJEDA’s unrestricted funds to add funding to the original Small Business Emergency Assistance Grant Program;

3. The creation of a second phase of the pilot Small Business Emergency Assistance Grant Program to make grant funding available that will provide short-term operating support to a broader group of New Jersey small and medium sized businesses and non-profits (collectively “SMEs”) that have been negatively impacted during the declared state of emergency. This program would be available to support businesses impacted by the COVID-19/novel coronavirus (“COVID-19”) emergency, utilizing funds appropriated to the Authority from the Coronavirus Relief Fund, consistent with the federal requirements associated therewith;

4. Use of $1 million from the Coronavirus Relief Fund for future administrative costs associated with administering the grant programs, phases one and two;
5. Delegation to Authority staff (Chief Executive Officer or any Senior Vice President) to accept other governmental (Federal, State or County) funding and/or unrestricted gifts or grants that would be used to fund Phase 2 of the Small Business Emergency Assistance Grant Program;

6. Delegation to Authority staff (Chief Executive Officer or any Senior Vice President) to impose additional requirements as may be required by law as a condition of accepting governmental (Federal, State or County) funding, provided that the requirements are consistent with the parameters of the program; and

7. Delegation to Authority staff (any Senior Vice President, Vice President or the Managing Director of Underwriting) to approve or deny individual applications to the Small Business Emergency Assistance Grant Program (Phase 2) in accordance with the terms set forth in this memo and the attached program specifications.

Background

On March 9, 2020, Governor Phil Murphy issued Executive Order 103, declaring a State of Emergency and a Public Health Emergency to ramp up New Jersey’s efforts to contain the spread of COVID-19. Subsequent containment measures were implemented, including restrictions on public gatherings and mandated closure of non-essential businesses. While these measures are consistent with similar measures being taken nationally that are expected to limit the public’s exposure to COVID-19, there has been and will continue to be a significant adverse impact on our state’s economy.

On March 26, 2020, the Board approved the creation of the Small Business Emergency Assistance Grant Program – an emergency grant funding program to provide funding as efficiently and quickly as possible to SMEs that needed payroll and working capital support as a result of adverse economic impacts following the March 9, 2020 declaration of a State of Emergency and a Public Health Emergency. The initial phase of the grant program focused on the smallest enterprises in targeted industries that were among the most adversely impacted by the containment measures. The Members approved the use of $5 million from the Economic Recovery Fund or NJEDA general operating budget to fund the original Small Business Emergency Assistance Grant Program. Further funding has since been secured by the Authority from the Casino Reinvestment Development Authority (CRDA) to support impacted entities in Atlantic County. The Authority launched the application for the original Small Business Emergency Assistance Grant Program on April 6, 2020, the response to which was overwhelming. Within the first hour of the application being available, more than 10,000 businesses had submitted applications. By the time the application closed a week later, the Authority received 34,404 applications, representing an estimated $117 million in total grant funding requested.

Most of the $5,000,000 originally allocated by the Board as well as a portion of the $2,000,000 received from CRDA has been disbursed; it will be completely exhausted in the near future. As of close of business on Friday, May 15, 2020:

- 1,651 applications totaling $5,504,000 had been approved;
$5,335,000 had been disbursed; and
1,673 applications had been declined.

Staff anticipates reviewing approximately 6,000 applications before the allocated funds are exhausted, leaving over 28,000 applications that were never reviewed because the program was so significantly oversubscribed.

**Coronavirus Relief Fund**

As the Governor announced, the Authority will receive $50 million from the Coronavirus Relief Fund (the “Fund”), as established under the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, for grant funding. The Authority will also receive $1 million for future administrative costs of the grant programs. The U.S. Treasury released its Guidance on the use of the Fund on April 22, 2020 and issued frequently asked questions (FAQs), most recently updated on May 4, 2020. The Guidance and FAQs specifically state that costs incurred between March 1 and December 31, 2020, related to grants to small businesses for costs of business interruption caused by required closures are eligible. Use of Fund moneys is subject to claw back by the U.S. Treasury if the Authority fails to comply with federal requirements, so staff will prepare an action plan describing how the Authority will comply with those requirements.

First, approval is sought to utilize $5 million to reimburse the Authority for the $5 million expended for the initial phase of the Small Business Emergency Assistance Grant Program, and for the Authority to utilize an additional $5 million from the NJEDA’s unrestricted funds to add funding to the original Small Business Emergency Assistance Grant Program. It is anticipated that this additional $5 million in funding will allow the Authority to fund all or most of the eligible waitlisted grant applications. Those applicants on the oversubscribed list (i.e., those that were told the likelihood of receiving funding was very low at the time of application) would not receive funding but would be encouraged to apply for the expanded second round program (described below).

Second, staff is also seeking authority to use $45 million in funding to implement a second phase of the Small Business Emergency Assistance Grant Program with less restrictive eligibility requirements.

As the Members may recall, the intent of the initial phase of the Small Business Emergency Assistance Grant Program was to structure the program in a way that the limited amount of funding could be used to support some of the smallest and directly impacted businesses and organizations, as quickly as possible. Based upon research performed by staff, strict programs requirements were established to meet this intent, which caused a large segment of the small business and non-profit community to be ineligible under the established parameters. Therefore, a significant number of entities either did not apply, or did apply and were declined for funding on the basis of not meeting the eligibility requirements. For example, over 1,800 applications, or 50% of the reviewed portfolio, have been or are in the process of being declined because they are ineligible based on Program Guidelines. The reasons for these declinations include but are not limited to: the entity being a sole proprietorship, the entity having too many full-time equivalent (FTE) employees, or the entity not being among the eligible industries targeted under Phase 1.
Staff’s experience in administering the initial Small Business Emergency Assistance Grant Program has helped to inform the recommendations described herein for the establishment of Phase 2. Most notably, staff recommend that some of the strict eligibility guidelines be removed so that the next round of funding can help address the staggering demand from small businesses and not-for-profit organizations that were not eligible under the requirements of the initial phase of the program.

Third, staff is seeking authority to use $1 million from the Fund for future administrative costs associated with administering the grant programs, phases one and two. More specifically, in order to administer the new programs, the NJEDA will need approximately ten additional staff, as well as equipment and software to improve telework capabilities and program administration. Accordingly, the NJEDA will utilize $1 million to cover those additional administrative costs. These are expenditures related to the provision of grants to small businesses to reimburse the costs of business interruption caused by required closures, which are eligible under the Fund.

The above uses will be memorialized in a Memorandum of Understanding (“MOU”) with the NJ Department of Treasury. The MOU will also require EDA to follow the federal requirements that accompany the funds and will enable NJ Treasury to claw back any funds the use of which are inconsistent with those federal requirements. EDA must disburse funds by December 1, 2020; any undisbursed funds on that date must be returned to NJ Treasury. Staff is seeking delegated authority for the Chief Executive Officer to execute the MOU when it becomes available.

Additionally, as staff has and continues to gain experience administering emergency COVID-19 related programs, including CARES Act funding, other State agencies may ask staff to share information and program materials, software, and other resources created. At this time, the Department of Environmental Protection (DEP) has requested such assistance to establish and administer CARES Act funding it received. The U.S. Secretary of Commerce recently announced the allocation of $300 million in fisheries assistance funding under the CARES Act to states, Tribes, and territories with coastal and marine fishery participants who have been negatively affected by COVID-19. From those funds, the National Oceanic and Atmospheric Administration (within the U.S. Department of Commerce) allocated $11,337,797 in funding to DEP to address direct or indirect fishery-related losses as well as subsistence, cultural, or ceremonial impacts related to COVID-19. Staff will lend their expertise and assist DEP with developing an application process, the mechanics of administering the funds and reporting/compliance requirements. This will enable the Authority and the DEP to collaborate and ensure there are no duplication of benefits as between their respective grant programs.

**Program Details of Phase 2**

The following parameters described below and further highlighted in the attached program specifications detail the Authority’s recommended approach to structuring the second phase of the pilot Small Business Emergency Assistance Grant Program.

Under the initial phase of the program, eligibility was restricted to businesses of no more than 10 FTEs. Staff is recommending that for Phase 2, the employee eligibility cap be increased to no
more than 25 FTEs. Furthermore, the initial phase of the program restricted eligibility to entities that were operating under a very narrow set of industries as determined by the North American Industry Classification (NAICS) code. Staff is recommending that for Phase 2, the program would not be restricted by NAICS code, with the exception of certain prohibited businesses as outlined in the attached program specifications. Staff is recommending that Phase 2 of the grant program also be available to home-based businesses and sole proprietors registered within the State, both of which were ineligible under Phase 1 of the program. Finally, staff recommends limiting non-profit eligibility to only 501(c)(3), 501(c)(4), and 501(c)(7) organizations.

Phase 2 of the Small Business Emergency Assistance Grant Program would utilize a similar methodology for calculating a grant award, with a larger potential maximum award amount. While the maximum grant amount per business/organization for Phase 1 was $5,000, staff is recommending a maximum grant award size of $10,000 for Phase 2. Applicants that were approved for funding under Phase 1 that had 5 FTEs or fewer will not be eligible for Phase 2 funding, as they will have already received their maximum funding amount of up to $5,000.

Specific grant amounts will continue be calculated based on $1,000 per FTE – based on the FTEs reported on company’s most recently filed 2019 WR-30 with the New Jersey Department of Labor and Workforce Development (DOL). Because WR-30 filings are based on Employer Identification Numbers (EINs), businesses/organizations with more than one EIN will be able to submit one application per EIN. Businesses/organizations that may have multiple locations but only one EIN can only apply once for a maximum of $5,000 or $10,000 as applicable. Implied FTE calculations will be rounded to the nearest FTE (e.g., 2.24 FTE would be counted as 2 FTE for the program, whereas 2.50 or 2.75 FTE would be counted as 3 FTE). While the calculation of FTEs is based on weeks worked and wages as reported on the WR-30 filing, in no event will a company receive grant funding based on a number of FTEs that exceeds the number of employees employed by the company, with the exception of sole proprietorships or entities with no FTEs, which may receive the minimum grant amount of $1,000.

Staff also recommends that of the total amount of funding available to support Phase 2, including all other amounts contributed or donated, $15 million of the funding be set aside to support entities that meet all other applicable eligibility criteria and have a commercial business address (or home address for home-based businesses) located (fully or partially) in a census tract that was eligible to be New Jersey Opportunity Zone (i.e. a New Market Tax Credit census tract). There are 715 census tracks that were eligible to be Opportunity Zones in New Jersey. Setting aside a portion of available funding under the Small Business Emergency Assistance Grant Program to support entities in these census tracts further reinforces the State’s commitment to helping to ensure all Opportunity Zone eligible tracts in New Jersey receive opportunities for investment that are equitable and inclusive. Any amount of the $15 million set aside that remains after processing all applications from entities in Opportunity Zone eligible census tracks would be used for any other applicant.

Consistent with Phase 1 of the program, staff is recommending that in addition to the eligibility parameters already stated above, that EDA will apply only Taxation’s requirement to ensure that businesses do not have tax debts due to the State. As with Phase 1, this may be accomplished through a certification from the applicant that it does not owe any taxes, subject to repayment if
the certification is not correct. The applicant will complete a simplified debarment legal questionnaire, and debarment issues will be reviewed under existing delegated authority, including the delegated authority approved at the time of the Superstorm Sandy programs. The applicant must also be in good standing with the New Jersey Department of Labor and Workforce Development (LWD) at the time of application to be eligible for the grant funding.

As part of the grant application, the SME’s chief executive officer or equivalent officer must self-certify that the SME:

- Was in operation on February 15, 2020 (consistent with the federal Paycheck Protection Program);
- Will make a best effort not to furlough or lay off any individuals from the time of application through six months after the end of the declared state of emergency. SMEs that have already furloughed or laid off workers from the time of application must make a best-effort pledge to re-hire those workers as soon as possible. Any material breach of its best efforts certification may result in the NJEDA seeking repayment of the grant;
- Has been negatively impacted by the COVID-19 declared state of emergency (e.g., has been temporarily shut down, has been required to reduce hours, has had at least a 20% drop in revenue, has been materially impacted by employees who cannot work due to the outbreak, or has a supply chain that has materially been disrupted and therefore slowed firm-level production);
- Has a material financial need that can not be overcome without the grant of emergency relief funds at this time (e.g., does not have significant cash reserves that can support the SME during this period of economic disruption).

Staff will take certain additional steps to ensure compliance with federal requirements. To comply with the CARES Act, including ensuring a need for the funds arising from business interruption, applicants must acknowledge and agree that the funds must be used to replace revenue lost as a result of a business interruption caused by COVID-19 between March 1, 2020, and the date of the grant agreement (which must occur with enough time for EDA to disburse funding prior to December 1, 2020). If the calculated grant amount calculated is greater than the need, the amount of the award will be capped at the amount of need.

To comply with duplication of benefits provisions within the Stafford Act, all applicants will be required to fill out an affidavit identifying all funding sources related to COVID-19, including Small Business Administration loans and grants, forgivable portions of Payroll Protection loans, and Economic Injury Disaster grants. Staff will use this information to ensure that the Small Business Emergency Assistance Grant (funded with federal assistance) is not used for the same purpose, i.e., creating a duplication of benefit. In addition to a certification from the applicant that their business was impacted by the Public Health Crisis, applicants will be required to answer questions about whether their business was “essential” (as defined by Executive Order), whether the business was able to remain open and to what capacity, and estimated revenue decline. Additionally, for businesses that are required to submit sales tax, staff will review sales tax information to the extent available to verify a reduction in sales. Staff is also developing a
language access plan to ensure that potential grant applicants whose primary language is not English will have resources or information available to help them understand and potentially access the grant funding.

The Authority will utilize a very similar or the same automated application process developed for the initial grant program and will make an application available as soon as possible following the receipt of funding to capitalize the program. The Authority will make its best efforts to publicize an application opening date through information on its website, its social media channels, and outreach to the media and stakeholders to make this information available to the public in advance of the application period opening.

In expectation that the new grant program will be oversubscribed, NJEDA staff will process the applications on a first-come, first-served basis.

Consistent with the approach taken on Phase 1 of the grant program, the Members should be aware that in order to handle the volume of applications expected during this period, the Authority will be automating a number of the processing steps based on business rules as outlined in this memo. These streamlined processes were highly effective and allowed the Authority to review, approve and disburse a significant amount of funding to a large number of businesses as quickly as possible to meet the urgent need. Consistent with Phase 1, delegated authority is sought for staff (any Senior Vice President, Vice President or the Managing Director of Underwriting) to approve individual applications in accordance with the terms set forth in the attached program specifications. Because the specifications are streamlined and will result in non-discretionary decisions, the delegated authority requested for approval also includes the delegated authority to decline and issue final administrative decisions if applicants appeal from those declinations.

Businesses whose applications are denied will have the right to appeal. Appeals must be filed within the timeframe set in the declination letter (which must be at least 3 days but no longer than 10 days). A Senior Vice President will designate Hearing Officers who will review the applications, the appeals, and any other relevant documents or information. The Hearing Officer will prepare a Final Administrative Decision, which must be approved by a Senior Vice President, Vice President, Managing Director or the Director Legal Affairs.

Staff is also requesting delegated authority for the Chief Executive Officer or any Senior Vice President to accept governmental (Federal, State or county) funding and/or unrestricted gifts or grants that would be used to fund Phase 2 of the Small Business Emergency Assistance Grant Program. Should governmental requirements required by law restrict the ability for the Authority to utilize any of the parameters described herein, staff will revisit the program requirements with the Members for modification and alignment with governmental requirements. If governmental requirements are in addition to these parameters or the parameters of Phase 1, staff is seeking delegated authority to add these requirements.

Due to financial hardship, the Authority will collect no fees from the applicant for this program.
The attached product specifications further illustrate the program details and minimum eligibility requirements the applicant must meet to be considered for a grant.

**Recommendation**

Approval is requested for: (1) delegation to Authority staff (Chief Executive Officer) to execute a Memorandum of Understanding with the New Jersey Department of the Treasury to accept $51 million in funds from the Coronavirus Relief Fund and agree to comply with federal requirements for the use of those funds; (2) reimbursement from the Coronavirus Relief Fund of the $5 million used for the initial phase of the Small Business Emergency Assistance Grant Program and use of an additional $5 million from the Authority’s unrestricted funds to add funding to the original Small Business Emergency Assistance Grant Program; (3) the creation of Phase 2 of the Small Business Emergency Assistance Grant Program to provide grants of up to $10,000 each to New Jersey small businesses and non-profits impacted by the COVID-19 outbreak that meet the eligibility criteria set forth in this memorandum and further outlined in the attached product specifications; (4) use of $1 million from the Coronavirus Relief Fund for future administrative costs associated with administering the grant programs, phases one and two; (5) delegation to Authority staff (Chief Executive Officer or any Senior Vice President) to accept other governmental funding (Federal, State or County) and/or unrestricted gifts or grants that would be used to fund the Small Business Emergency Assistance Grant Program (Phase 2); (6) delegation to Authority staff (Chief Executive Officer or any Senior Vice President) to impose additional requirements as may be required as a condition of accepting governmental (Federal, State or County) funding; and (7) delegation to Authority staff (any Senior Vice President, Vice President, or Managing Director – Underwriting) to approve or deny individual applications to Phase 2 of the Small Business Emergency Assistance Grant Program in accordance with the terms set forth in the attached program specifications.

Tim Sullivan  
Chief Executive Officer

Attachments:  
Small Business Emergency Assistance Grant Program Phase 2 Specifications  
Proposed Memorandum of Understanding with the NJ Department of the Treasury
### Small Business Emergency Assistance Grant Program – Phase 2
#### Proposed Program Specifications

| **Funding Source** | $45,000,000 - from the Coronavirus Relief Fund (the “Fund”), as established under the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act.  
Staff is seeking additional funding, including unrestricted gifts and grants through corporate and philanthropic sources. |
| **Program Purpose** | To provide short-term, immediate payroll and working capital support to New Jersey small and medium sized enterprises (businesses and non-profits) (“SMEs”), with no more than 25 Full Time Equivalent employees (FTEs), that that have been negatively impacted during the declared state of emergency, thereby helping to stabilize their operations and minimizing any potential furloughs and/or layoffs. |
| **Eligible Applicants** | Businesses that were approved for grant funding under Phase 1 of the Small Business Emergency Assistance Grant Program with 5 or fewer FTEs will not be eligible for Phase 2 funding, as they will have already received their maximum funding amount of up to $5,000.  
To determine the number of FTEs for the purpose of calculating the grant amount, the Authority will utilize the SME’s most recent New Jersey WR-30 filing with the NJ Department of Labor (DOL). Implied FTE calculations will be rounded to the nearest FTE (e.g., 2.24 FTE would be counted as 2 FTE for the program, whereas 2.50 or 2.75 FTE would be counted as 3 FTE). While the calculation of FTEs is based on weeks worked and wages as reported on the WR-30 filing, in no event will a company receive grant funding based on a number of FTEs that exceeds the number of employees employed by the company, EXCEPT that if a sole proprietor or other applying entity has no FTEs, it may be eligible for the minimum grant award of $1,000. For entities like sole proprietors the NJEDA will work with the Department of Treasury, Division of Taxation, to identify tax filing status.  
The SME must have a physical commercial location in the State of New Jersey (e.g., an office, a physical point of sales, a warehouse, manufacturing facility, etc.). With regard to home-based businesses, the home must be located in New Jersey. Only non-profits entities organized under only 501(c)(3), 501(c)(4), and 501(c)(7) will be eligible. |
**Small Business Emergency Assistance Grant Program – Phase 2**  
**Proposed Program Specifications**

| Eligible Applicants: (continued) | Prohibited businesses include, but are not limited to: gambling or gaming activities; the conduct or purveyance of “adult” (i.e., pornographic, lewd, prurient, obscene or otherwise similarly disreputable) activities, services, products or materials (including nude or semi-nude performances or the sale of sexual aids or devices); any auction or bankruptcy or fire or “lost-our-lease” or “going-out-of-business” or similar sales; sales by transient merchants, Christmas tree sales or other outdoor storage; ; any activity constituting a nuisance; or any illegal purposes.

CEO/equivalent officer of the SME must self-certify that the firm:

- Was in operation on February 15, 2020;

- Will make a best effort not to furlough or lay off any individuals from the time of application through six months after the end of the declared state of emergency. SMEs that have already furloughed or laid off workers from the time of application must make a best-effort pledge to re-hire those workers as soon as possible. Any material breach of its best efforts certification may result in the NJEDA seeking repayment of the grant;

- Has been negatively impacted by the COVID-19 declared state of emergency on March 9, 2020 (e.g., has been temporarily shut down, has been required to reduce hours, has had at least a 20% drop in revenue, has been materially impacted by employees who cannot work due to the outbreak, or has a supply chain that has materially been disrupted and therefore slowed firm-level production); and

- Has a material financial need that cannot be overcome without the grant of emergency relief funds at this time (e.g., does not have significant cash reserves that can support the SME during this period of economic disruption).

SME must be registered to do business in the State of New Jersey at the time of application.

SME must satisfy Taxation’s requirement to ensure that the SME
### Small Business Emergency Assistance Grant Program – Phase 2  
#### Proposed Program Specifications

| Eligible Applicants: (continued) | does not have tax debts due to the State. As with Phase 1, this may be accomplished through a certification from the applicant that it does not owe any taxes and will be subject to repayment if the certification is not correct.  
SME must be in good standing with the Department of Labor, with all decisions of good standing at the discretion of the Commissioner of the Department of Labor  
SMEs with multiple EIN can submit one application per EIN. Businesses with multiple locations but only one EIN will be limited to one application (under the sole EIN).  
Additional eligibility requirements may apply, which will be based on any applicable Federal requirements tied to the CARES Act funding. This may include, but is not limited to:  
• applicants must acknowledge and agree to the requirement that grant proceeds be can only be used for eligible uses as defined below,  
• a restriction on duplication of benefits that could exclude potential applicants that have already received Federal assistance, and  
• a requirement that the applicant demonstrate that it has had negative impacts from COVID-19. |
|---|---|
| Eligible Uses | Grant funding to be used for reimbursement of lost revenue as result of the business interruption caused by COVID19 between March 1, 2020 and the date of the grant agreement (which must occur with enough time for EDA to disburse funding prior to December 1, 2020). If the calculated grant amount calculated is greater than the need, the amount of the award will be capped at the amount of need.  
Funding cannot be used for capital expenses, including construction. |
| Application Process | Online application. Applications will be accepted on a first-come, first-served basis, based upon the date in which the Authority receives a completed application submission. |
### Grant Amounts

$1,000/FTE, with the calculation based on the WR-30 filing from the most recent payroll period from date of application EXCEPT that if a company is a sole proprietorship or otherwise has no FTEs will receive the minimum grant amount ($1,000).

- Minimum grant amount (per application): $1,000
- Maximum grant amount (per application):
  - $10,000 (for entities with more than 10 FTEs)

$15 million will be set aside from all contributed or donated funds to support entities that meet all other applicable eligibility criteria and have a commercial business address (or home address for home-based businesses) located (fully or partially) in a census tract that was eligible to selected as New Jersey Opportunity Zone (i.e. a New Market Tax Credit census tract). Any amount of the set aside that remains after processing all applications from entities in Opportunity Zone eligible census tracks would be used for any other applicant.

### Funding Disbursement

Funding to be fully disbursed as quickly as possible upon approval of grant application.

### Fees

Due to financial hardship, the Authority will collect no fees from the applicant for this program.

### Appeals

Businesses whose applications are denied will have the right to appeal. Appeals must be filed within the timeframe set in the declination letter (which must be at least 3 days but no longer than 10 days). A Senior Vice President will designate Hearing Officers who will review the applications, the appeals, and any other relevant documents or information. The Hearing Officer will prepare a recommended decision, which must be approved by a Senior Vice President, Vice President, Managing Director or the Director Legal Affairs, who will approve, reject, or modify the Hearing Officer recommendation for a Final Administration Decision.

### Board Approval

Delegation to Authority staff (any Senior Vice President, Vice President or Managing Director of Underwriting) to approve or deny individual applications. Board to be updated monthly on delegated authority approval activity.

Delegation to Authority staff (Chief Executive Officer or any Senior Vice President) to accept other governmental (Federal, State or County) funding and/or unrestricted gifts or grants that would be
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<td>used to fund Phase 2 of the Small Business Emergency Assistance Grant Program.</td>
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MEMORANDUM OF UNDERSTANDING
BETWEEN
THE TREASURER OF THE STATE OF NEW JERSEY
AND
THE NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

This MEMORANDUM OF UNDERSTANDING (“MOU”) made by and between the TREASURER (“Treasurer”) of the New Jersey Department of the Treasury (“Treasury) and the NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY (“NJEDA”), an instrumentality of the State of New Jersey (the “State”). The NJEDA and the Treasurer may sometimes hereinafter be collectively referred to as the "Parties" and individually as a "Party."

PREAMBLES

WHEREAS, due to the increase in the number of novel coronavirus (“COVID-19”) cases in New Jersey, the surrounding region and across the globe, the Governor of the State of New Jersey issued Executive Order No. 103 declaring a public health emergency and a state of emergency in the State of New Jersey (the “State”) on March 9, 2020, allowing for certain executive actions to respond to the increasing amount of COVID-19 cases in the State; and

WHEREAS, on March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic (the “COVID-19 Pandemic”) and on March 13, 2020, the President of the United States declared a national state of emergency; and

WHEREAS, beginning on March 16, 2020 and to the present time, the Governor has issued multiple Executive Orders to deal with the COVID-19 Pandemic, including the restriction of business activities; and

WHEREAS, as a result of the actions taken by the Governor and by states throughout the United States, the U.S. economy and the State economy are suffering losses which are being compared to more than occurred in the Great Depression of the 1930s and the number of people filing for unemployment insurance both in the State and nationally have reached levels never before seen; and

WHEREAS, the long-term and short-term capital markets have experienced significant deterioration in value and volatility, which can affect the liquidity and results of operations of companies in the State and the State economy as a whole; and

WHEREAS, the impact of the COVID-19 Pandemic on the State, its economy and its finances is unpredictable and rapidly changing; and

WHEREAS, on March 26, 2020, the NJEDA’s Board approved the creation of an initial pilot Small Business Emergency Assistance Grant Program in the amount of $5 million (“Phase One SME Program”) to make grant funding available for short-term operating support to New Jersey small sized businesses and non-profits (collectively “SMEs”) that have been impacted by the COVID-19 Pandemic; the
specifications of the Phase One SME are contained in Exhibit A, attached hereto and made a part hereof; and

WHEREAS, the Casino Redevelopment Authority contributed an additional $2 million to be used to fund grants to SMEs in Atlantic County; and

WHEREAS, within one week of opening the application for the Phase One SME Program, the NJEDA received 34,403 applications, representing an estimated $117 million in total grant funding requests; as of May 17, 2020, the NJEDA had approved 1,651 applications totaling $5,504,000, disbursed $5,335,000, and declined 1,673 applications; and

WHEREAS, the continuation of the COVID-19 Pandemic continues to seriously impact the economic viability of SMEs as they face difficulties meeting payroll obligations and supporting basic operating expenses and these challenges are expected to continue; and

WHEREAS, without a source of immediate relief, many SMEs are being forced to furlough or lay off employees and are in dire risk of business failure/closure; and


WHEREAS, the CARES Act provides, among other thing, some fiscal relief to the states; and

WHEREAS, the NJEDA wishes to fund more of the applications which were submitted for the Phase One SME Program; and

WHEREAS, as a result of the oversubscription to the Phase One SME Program, the NJEDA has proposed the creation of a second phase of the program in the total amount of forty-five million dollars ($45,000,000) to make grant funding available that will provide short-term operating support to a broader group of New Jersey SMEs that have been negatively impacted during the declared state of emergency (the “Phase Two SME Program”); the specifications of the Phase Two Program are indicated in Exhibit B attached hereto and made a part hereof; and

WHEREAS, the Phase Two SME Program shall provide grants to businesses ineligible for the Phase One SME Program by relaxing some of the strict eligibility guidelines so that the next round of funding can help address the staggering demand from small businesses and not-for-profit organizations that were not eligible under the requirements of the initial phase of the program or were waitlisted because there was insufficient funding available for all eligible grant applications; and

WHEREAS, under the Phase One SME Program, eligibility was restricted to businesses of no more than 10 full time equivalent staff (“FTEs”) and therefore for the Phase Two SME Program, the eligibility will be increased to no more than 25 FTEs; and

WHEREAS, under the Phase One SME Program, eligibility was restricted to entities that were operating under a very narrow set of industries as determined by the North American Industry Classification (NAICS) code, and therefore for the Phase Two SME Program, the eligibility will not be restricted by NAICS code, with the exception of certain prohibited businesses; and
WHEREAS, the Phase Two SME Program shall also be available to home-based businesses and sole proprietors registered within the State, both of which were ineligible under the Phase One SME Program; and

WHEREAS, the Phase Two SME Program will use a similar methodology to that used for the Phase One SME Program, except that the maximum grant amount per business/organization will be $10,000, provided that applicants with 5 or fewer full-time equivalent employees that were approved for funding under the Phase One SME Program will not be eligible for the Phase Two SME Program; and

WHEREAS, specific grant amounts will continue to be calculated based on $1,000 per FTE reported on the company’s most recently filed WR-30 with the New Jersey Department of Labor and Workforce Development (DOL); and

WHEREAS, consistent with the Phase One SME Program, the applicant cannot owe any taxes to the State and must also be in good standing with the New Jersey Department of Labor and Workforce Development (LWD) at the time of application to be eligible for the grant funding; and

WHEREAS, as part of the application, the SME must self-certify that the SME will make a best effort not to furlough or lay off any individuals from the time of application through six months after the end of the declared state of emergency and that SMEs that have already furloughed or laid off workers from the time of application must make a best-effort pledge to re-hire those workers as soon as possible; and

WHEREAS, the NJEDA will utilize the same or similar automated application process for the Phase Two SME Program developed for the Phase One SME Program and will publicize an application opening date through information on its website, its social media channels, and outreach to the media and stakeholders to make this information available to the public in advance of the application period opening; and

WHEREAS, P.L. 2020, c. 8, expanded NJEDA’s general powers and specific authority to make grants for projects, including, but not limited to, grants for working capital and payroll purposes, during a period of an emergency declaration and for the duration of the economic disruption due to the emergency; and

WHEREAS, pursuant to the Fiscal Year 2020 Appropriations Act, L. 2019, c. 150 (the “FY 2020 Appropriations Act”), monies received from the federal government pursuant to a federal economic stimulus bill are appropriated to the applicable State entity to be spent on the purposes authorized by the federal economic stimulus bill; and

WHEREAS, under the CARES Act guidance issued by the U.S. Department of the Treasury, it is permissible to create and fund a program to assist SMEs with costs incurred due to business interruption caused by required closures in order to prevent the economic downturn from continuing to accelerate; and

WHEREAS, the State received $2.4 billion (the “CARES Funds”) from the federal government under the CARES Act, which monies must be used in conformance with the requirements of the CARES Act; and
WHEREAS, the Treasurer has determined that it would be in the best interests of the State to use a portion of the CARES Funds, in an amount not to exceed $51 million, for reimbursement of the funding of the Phase One SME program, the new Phase Two SME Program, and future NJEDA administrative costs associated with both phases of the program (collectively, the “Program”) to assist businesses in these extraordinary times; and

WHEREAS, pursuant to this MOU, the Parties wish to set forth their understandings with respect to establishing and implementing the Program; and

WHEREAS, N.J.S.A. 52:14-1 et seq. authorizes State agencies to enter into agreements to provide assistance to each other.

NOW, THEREFORE, the Treasurer and the NJEDA agree as follows:

Section 1. Grant Award.

Subject to the terms and conditions of this MOU, the Treasurer, as recipient of the CARES Funds shall make available to the NJEDA funds in the amount of Fifty-One Million Dollars ($51,000,000.00) (the “Grant Funds”) for the purpose of funding the Programs. The entire amount of the Grant Funds shall be provided upon full execution of this MOU and submission by NJEDA of any requisition or other document required by the Treasurer. The Grant Funds shall be allocated as follows:

- $5 million for reimbursement of the Phase One SME Program
- $45 million for Phase Two SME Program
- $1 million for future administrative costs of the Program

Section 2. Terms of the Grant Awards

The NJEDA will reimburse itself for grants under the Phase One SME Program and provide grants under the Phase Two SME Program as set forth on Exhibits A and B, respectively, attached hereto and made a part hereof, and pay for future administrative costs of the Program. Any material changes to any of the Program must be approved by the Treasurer prior to implementation of any such changes, except to the extent such changes are required to conform with federal requirements or conditions of funding.

Section 3. Responsibilities of the NJEDA

3.1 The NJEDA shall build out an automated application process that is equipped to handle what is expected to be substantial demand and application activity.

3.2 The NJEDA shall begin accepting applications for the Phase Two SME Program within 30 (thirty) days of execution of this MOU.

3.3 The NJEDA will make its best efforts to publicize a Phase Two SME Program application opening date through a Notice of Funding Availability to be posted on its website, its social media channels, and outreach to the media and stakeholders to make this information available to the public in advance of the application period opening.

3.4 All Grant Funds must be disbursed by the NJEDA no later than December 1, 2020. To ensure
compliance with the CARES Act and U.S. Department of the Treasury requirements, all Grant Funds must be expended by grantees no later than December 30, 2020.

3.5 The NJEDA shall provide the requisite staff and support required to implement the Program.

3.6 The NJEDA shall comply with the CARES Act, including, but not limited to, the U.S. Department of the Treasury Guidance and Frequently Asked Questions, as they may be updated, in implementing the Program.

3.7 In the event that the NJEDA does not disburse all of the Grant Funds by the time set forth in Section 3.4 above, the NJEDA shall promptly remit to the Treasurer the balance of the remaining Grant Funds.

3.8 The NJEDA is authorized to use $1 million of the Grant Funds to pay for its administrative expenses relating to the future administration and implementation of the Program. Administrative expenses may include salaries and overhead, purchase or rental of equipment, insurance, Utilities, office supplies, and rental and maintenance (but not purchase) of office space.

3.9 The NJEDA shall be responsible for implementing the Program in accordance with all applicable State and federal laws and regulations. It shall be NJEDA’s responsibility to require that all of its grantees adhere to all applicable State and federal laws and regulations. The NJEDA shall conduct all necessary monitoring for such compliance. To the extent that the U.S. Department of the Treasury audits the Grant Funds, the NJEDA shall respond to such audit(s). The NJEDA shall also be responsible for any recoupment of the Grant Funds that the U.S. Department of the Treasury may require.

3.10 The monitor for the NJEDA for this MOU is the Senior Vice President, Strategic Initiatives and Operations, who shall be responsible for overseeing the successful performance and completion of NJEDA’s obligations as provided in this MOU. The NJEDA shall submit a report of project progress to the Treasurer on a schedule and dates to be provided by the NJEDA. The NJEDA shall be required to obtain any necessary information from recipients of grants under the Program to indicate compliance by recipients with the Program and federal requirements.

Section 4. General Provisions

4.1 Termination and Amendments. This MOU may be modified or extended only by prior written agreement by the Parties. This MOU may be terminated by either the NJEDA or the Treasurer upon thirty (30) days prior written notice to the other Party.

4.2 This MOU is being entered into for the sole purpose of evidencing the mutual understanding and intention of the Parties.

4.3 There are no third-party beneficiaries of this MOU.

4.4 This MOU shall be administered consistent with N.J.S.A. 52:14-1 et seq.

4.5 The Effective Date of this MOU shall be the later of the date executed by the Parties below. The term of this MOU shall be for a period of two (2) years from the Effective Date unless extended by agreement of the Parties if all of the Grant Funds have not been committed within that period of time.
4.6 The Treasurer and the NJEDA shall retain all the powers, obligations and immunities provided by law.

4.7 The Parties acknowledge that the successful completion of each Party’s duties hereunder will require cooperation between the Parties. The Parties agree to work cooperatively to achieve the goals of this MOU.

4.8 The recitals appearing before Section 1 are made part of this MOU and are specifically incorporated herein by reference.

IN WITNESS WHEREOF, the Parties have executed and delivered this MOU on the date set forth next to their respective signatures below, but effective as of the date set forth above. The Parties agree to accept electronic signatures.

Treasurer of the State of New Jersey

__________________________________ Date: ___________________________
By: Elizabeth Maher Muoio

New Jersey Economic Development Authority

------------------------------------------------------- Date: -------------------------------------------
By: Tim Sullivan, Chief Executive Officer

Attachment: Exhibit A – Phase One SME Grant Program Specifications
Exhibit B – Phase Two SME Grant Program Specifications