

Main Street Recovery Finance Program Listening Sessions

Transcript

07/13/2021

Patience Purdy: Good afternoon and thank you for joining us today is day two of our three days of Main Street recovery finance program listening sessions. The next session, if you need to tell someone or come back it's going to be Thursday at 10am today we're going to go over a little bit of what the economic recovery act is and then get into detail on the main street recovery finance program itself. So a little bit about the New Jersey economic recovery act.

Abby can you flip that slide.

Governor Murphy sign the New Jersey economic recovery act on into law January 7 of this year. It creates a package of tax incentives, financing and grant programs that are there to build a stronger and fair New Jersey economy. It's considered a broad based recovery bill and reform bill that will work to better position New Jersey to recover from the economic crisis caused by covid. And if you want information overall on the economic recovery act, you can find that on the njeda's website at njeda.com/economicrecoveryact.

Next slide, and so our commitment to transparency, equity and faithful stewardship of taxpayer dollars continues with this series and our goal is to welcome constructive input from all new jerseyans as we work through the process of implementing the programs under the ERA. General program feedback can be provided online, program specific feedback can be provided here today, through public comment or on the website and then formal regulatory feedback will follow once the rules have been promulgated.

Pursuant to governor murphy's executive order the njeda is providing opportunities for groups and stakeholders and individuals to engage with us in crafting the rules surrounding the Main Street recovery finance Program. Again, constructive input helps us to ensure that new programs are created through the economic recovery act and structured and administered in a manner that drives opportunities for all New Jersey residents and communities we're getting to this session on could be around 70 to 90 minutes, with the public input portion reserved for the end.

Next slide.

Some public feedback policy and in order to provide comments you're going to raise your hand it's a zoom function at the bottom of your screen a little yellow hand we're all probably pretty used to now. And we'll call on you in order of the hand raise and I'll acknowledge each speaker will unmute your microphone and ask you to provide your comment. Each speaker is going to have a minimum of three or a maximum of three minutes to speak and if there's more that you

want to say, and we have time, you can raise your hand again but we'll move you to the end of the line.

Please don't expect to engage in a large dialogue about the program we may respond to some basic questions, but the goal is to get your feedback. If we need to provide some guiding remarks, we certainly will and then, of course, at all times, remember to maintain proper decorum and provide your remarks in a civil manner I'm sure, and everybody to date has.

At this point, I'm going to turn the program over to Tai Cooper who is our chief Community development officer and she's going to give you some more guiding kind of strokes surrounding the mainstream recovery act thanks hi.

Tai Cooper: Thank you so much patience, I really appreciate that. Thank you guys so much for joining us today this Tuesday at 2pm I'm happy to say. As we begin the long process of recovering from covid-19 pandemic, the resources this program makes available to small businesses will be vital to ensuring a strong and equitable recovery. Today's listening session will help us make sure this program addresses your needs and the most effective and efficient way, so pay attention and after lots of really good questions. Since he took office, Governor Murphy has been dedicated to building a stronger fair New Jersey economy that works for all of us, everyone in New Jersey.

The New Jersey economic recovery act, creates a new package of programs designed to keep our state moving toward this goal. Among other programs the ERA includes tax credits to incentivize job creation, new construction and revitalization of brownfields and historic properties financial resources for small businesses, support for new supermarkets and healthy food route hit retailers and food desert communities --that's a mouthful, new funding opportunities for early stage companies in New Jersey and support for our growing and free awesome film and digital media industry.

One of the governor's top priorities are supporting small businesses and Main Street communities throughout the state. Throughout Covid-19 pandemic the NJEDA has provided hundreds of millions of dollars in relief to more than 75,000 small businesses throughout the state, and it has been our pleasure to serve you. Other state agencies, including HMFA and DCA and NJRA have also been our partners throughout this pandemic. Now, as we begin to recover from the worst of the pandemic you're shifting our focus to achieving a stronger fair recovery and the focus now is on the recovery. The mainstream recovery finance program is a key component of these recovery efforts that'll provide 100 million dollars in grants and loans to small and micro businesses.

Christina Fuentes is going to go over those programs in much more detail but we're going to talk about CDFI's and MBI's and a whole bunch more. In line with Governor Murphy, and the NJED's commitment to transparency and public engagement, we are proud to share the draft rules for the program with you today for your input. You know what best resources, you need, and

we look forward to hearing your insights on how to ensure this program the mainstream recovery finance program is effective and fair.

Thank you in advance for your input and we're excited to hear from you now i'm going to turn it over to Christina Fuentes Managing Director of Community development thanks so much.

Christina Fuentes: Thanks.

So the mains street recovery program essentially creates \$100 million appropriation designate the Treasury, who then will turn that fund over to ETA to create products and programs and those products can essentially be grants to support small businesses loans to support micro businesses. Also, resources for other eligible lenders that can provide support to micro businesses as well, so the grants that will be established for small businesses will establish... will support New Jersey small businesses that are defined by SBA To support improvements operating expenses towards lease payments and purchases of equipment and installing that equipment as well.

Also loans to micro businesses will offer low cost financing to support it, micro businesses micro business that's defined as 10 or less full time employees and then also less than 1.5 million in revenue based on your last tax return. Our other lenders that we will look to for supporting our micro businesses will have to have a 10 year experience in supporting you know traditional micro businesses as well, but will provide not only access to capital but also technical assistance for those businesses to access to capital they'll provide and those partners we're going to look to leverage will be our Community development financial institutions, otherwise known as CDFI's, our minority depository institutions MDI's, zone development corporations and cities with a population of 100,000 or more Community development corporations and economic development corporations as well. Next slide please.

So the two grants that will be established through this will be a small business lease grant which will help support, through grants, businesses that are going into new space or adding additional space and then also a small business improvement grant which will reimburse a business owner for any type of costs associated to make an interior exterior building improvements, but then also purchasing installing equipment or what we would consider furniture fixtures and equipment, next slide.

The first grant program will be the Small Business Lease Grant which will have a 40% set aside for eligible census tracts that are considered opportunities zones and then the grant will essentially help. It will be dispersed into disbursements but at time of application, the least can be executed up to 12 months prior to their application. And the way it will be at approval the received their first disbursement which will equate to 20% of their annual lease payments. Then, after 12 months after that they will essentially receive another grant to support their lease payments, and they again will be 20% of their annual lease payments. If someone has multiple locations, they can apply for that, if one he is with three locations they essentially can do three applications because it's based per location. There will not be an application fee, but

there will be an approval fee so at time of approval, they were they will be able to pay their fee and then be able to execute the grant agreement with EDA, next slide.

Some eligibility criteria will essentially be able to have to meet the definition of a small business based upon their needs code, they would have to provide a current tax clearance certificate and being good standing with the state as far as we would do checks with department Labor and DP as well too. We'd also ensure a time of application that they're in good standing with EDA. And then they would also have to a time of application certify that they'd be willing to pay the minimum wage requirements associated to the products. So it would essentially have to be the greater \$15 an hour or 120% of minimum wage rates if it is an entity that has tipped employees, then they only have to meet the criteria of 120% of them wage rates, since we would be requiring a lease that's a five year term, this compliance period would exist for the five years. They would have to commit and remain in that facility as well, too, for their grant agreement which would be the five years and this product would be available to both nonprofits and commercial businesses next slide.

The lease would essentially have to be for at least 500 up to 10,000 square feet for office retail space, which would encompass most of commercial space as well too. Although if the space is larger than 10,000 square feet it's still eligible but we're only going to incentivize the 10,000 square feet, I would have to be for new lease amendment or an extension adding at least the 500 square feet of space as well to. It must incorporate street level or first for space, it can be a first floor and a second floor or first floor in a basement. But it has to incorporate the first order to be eligible, and when it has to be at least a minimum five-year term, and it has to be a market release as well to. Just to ensure that you know we use coast, our data to ensure that landlord discharging; and market rate lease and we would be able to determine that as well too.

And again, at time of application, the lease can't be executed any longer than 12 months, so we would look at time of application, you provide your lease so we could demonstrate that as well to, next slide.

Some exclusions around the grant program essentially would be we wouldn't want to look to see an applicant terminate or exit their lease just to pursue an incentive, so they couldn't go from same square footage. A business that is essentially in the business lease assistance program that still fit the timing criteria could opt out if they chose to do so. And then also they have to make their lease payments they can't default or leave the space, because we are providing a grant add approval, they would essentially receive those funds Prior to that, so we want to make sure that they would be staying in that space high tech business incubators that are members and nonprofit facilities, would not be eligible, because typically it's a state institution that provides more attractive incentives for that space, but any type of operator, that of an incubator would be eligible for this incentive, we also want to make sure landlords that have an ownership interest in the tenant would not be eligible as well to.

Next slide.

The next grant would be the Small Business Improvement Grant again would have a 40% set aside for eligible opportunities own census tracts. This grant would be a reimbursement up to 50% of the project costs, with a maximum award of \$50,000 this could support interior exterior renovations it could support purchasing equipment installation and also furniture and fixtures as well to it would have to be a minimum project costs of at least 5000, and this is a limit of one application per EIN. Entities that have multiple locations under that one EIN submit the multiple location costs all into one application and you want to make sure you're doing equipment and renovations all in one application as well to. Again, with just the approval fee at time of approval and then executing their grant agreement.

Some eligibility criteria would be meeting the definition of an SBA small business. They would have to rent or own and operate the facility at a commercial business, providing a current tax clearance certificate and being in good standing with department of Labor and department of environmental protection. Also, certifying an application that they're not in default with any other EDA products.

And again, at time of application, they would have to certify the be participating, the minimum wage requirements and it be similar to the fact that greater \$15 an hour or 120% of the minimum wage rate. For tipped employees, it would just be the hundred and 20% of them will wage rate nonprofits and businesses would be eligible for this program as well and business coach essentially received the least grant and improvement grant as well to excellent eligibility criteria for this would be, we would want to make sure it's a reimbursement of any type of purchase of the FF&E and equipment and any type of Interior exterior renovation a home based business could be eligible for this, but only for purchasing installation FF&E we wouldn't allow any type of renovations or improvements. The work would have to be completed order after March 9 2020 but no more than two years prior to application day. And they would have to provide documentation, since it is a reimbursement that the proof of payment and demonstration of the work so we're looking for invoices statements payments and canceled checks.

The project costs would have to be at least 5000. And it would be up to the applicant to do the additional local approvals as well, too, so if there's any type of zoning or building permits required for the project that would be up to the applicant to pursue those. Projects over \$50,000 would be considered to use the they would have to use the green building standards for lighting and mechanical work, so any type of lighting improvements for interior exterior or if they're looking to do an H back system, you want to ensure that you're you know, doing the installation of cost saving benefits essentially or to that small business too so.

If the applicant is leasing the space, we also want to just get permission from the landlord to make sure those improvements are allowed as well to if it's not identified in the current lease. And then any contractor that you get the applicant would essentially use of if there's four employees are more there's affirmative action requirements and it's essentially just filling out two forms that would be part of the application as well to next line.

Some requirements around the statute would be as identified, you know we talked about the wage requirements so essentially employees again have to certify that they're willing to pay the greater up the \$15 an hour 120% of the minimum wage, unless their tips and it's just the hundred and 20% of minimum wage. We would be checking that yearly for the compliance period as well, too, so we would demonstrate that, by asking for a specific group of WR30 payroll reports or equivalent documentation, depending on what type of business entity will be working with determine that. Ensuring that green building standards are being followed as well to for any project that would be over the \$50,000 threshold and then also the affirmative action again that would just be part of your application filing the necessary paperwork. And then we have to make sure to just to highlight that the compliance period with the least grant essentially would be the five years. Again, agreeing to that space, so you agree to the terms by staying in that space and then with them improvement grant. If your grant is less than \$25,000 your compliance period would be for two years of that grant agreement it would highlight that and so again for those two years you're paying your employees are required wage rates and staying in the space. If your grant is over 25,000 then your requirement for compliance would be the four years.

Next one.

We also have the ability, with the funds to be able to pilot some programs as well too. So if the grants are not an ideal fit, then we will be providing some additional resources, like our Micro Business Loan Program we would essentially be relaunching that. And that provides access to capital for micro businesses the wage requirements are not under the loan products they're just for the grants so with this you could get access up to 50,000 at attractive terms, and then we would also be looking to leverage our partners as well too that we identified but providing them access to capital to lend out on local level too, but then also providing technical assistance. So we would look to those partners but highlighted, like the CDFI's, MDI's, zone development corporation's EDC's, CDC's, providing them access to capital and then lending it out to micro businesses at attractive terms to but then also ensuring that they can receive technical assistance as well too. So the technical assistance could essentially be you know, helping credit repair services business plan writing if they need projections, in order to qualify for loan and additional services like that.

Excellent.

I believe that's my portion so I'll pass it back to Patience.

Patience Purdy: Thanks Christina thanks for all the information So here we are at public comment and it looks like there are a number of you on in order to be called an order for public comment you need to raise that little yellow hand. And we will allow you to unmute your microphone and give your contribution to the Main Street Recovery Fund Project or Program. So don't be shy.

Oh ok so Abby if you can unmute Quaira Colon and if I said that correctly here.

Quiara Colon: Hello, can you hear me.

Patience Purdy: Yes, we can thank you.

Quiara Colon: Awesome so I just had a question I was wondering if the Small Business Improvement Grant is only for reimbursements of businesses that have already been renovated or improved it's not at all for investing into small businesses that want to renovate or improve but haven't had the access to the funds to do so.

Christina Fuentes: No, it would just be a reimbursement yeah.

Quiara Colon: Ok um yeah I mean I guess that's helpful for people that have already had access to the capital, but I guess I wouldn't be as helpful for like communities like minorities who haven't really had access to do those things, especially during covid I really liked the Micro Business Loans, I think that that's going to be really helpful just because it's going to give people access to capital. I was wondering if this specific portion of those grants are going to be going to black and Latino owned micro-businesses.

Christina Fuentes: Um so we're doing the 40% set aside, however, we still once we establish through a disparity study what our percentages would be, then we would have to go back to board and then establish those set aside requirements that we would have to do, so for right now it's the 40% set aside, however that's just a temporary you know kind of solution of what we have, but we still have to do this study in order to qualify what the percentages would be for the products yeah.

Quiara Colon: All right, thank you, that was helpful.

Patience Purdy: I don't see anyone else currently.

Patience Purdy: Oh, here we go Abby if you can unmute Kathryn Harrison.

Kathryn Harrison: hello, can you hear me ok.

Patience Purdy: Yes, Kathryn, let us know who you are, and if you're calling on behalf of yourself or an organization, please.

Kathryn Harrison: Hi yes, my name is Kathryn Harrison, or I go by Kat and I work for (unknown) Latin American economic development association. Thank you so much for the time to ask a question, I came into the presentation about 10 minutes late, so please forgive me if I'm already asking a question that was answered my question is it's very clear that lenders, as well as a smaller organizations like micro lenders CDFI's are getting access to the micro business loan money to be the you know to be the channel through which that gets lend out. What are, what is the what, if any, access to this to these funds do organizations nonprofit

organizations such as (unknown) who do provide. Those supplementary services those critical supplementary services like counseling and training, what kind of access to these funds do we get and if not, are we, how are we expected to are their guidelines as to like how we collaborate with you know with the lenders with the micro lenders.

Christina Fuentes: So the statute establishes nonprofit lenders as well to you would still have to have a demonstrated experience of 10 years servicing micro businesses to be eligible so as long as you would fit that criteria, you could still participate.

Kathryn Harrison: Okay, so so we don't. But we do have you know 30 plus years in providing supplementary services So is there any role I guess what I'm what I'm asking, is there any role for an organization such as (unknown) to participate and facilitate you know this program to clients.

Christina Fuentes: Um, so I think you're speaking in terms of more technical assistance is what you're providing to the micro business, so I mean at this time I mean we have the ability to pilot programs, if you want to provide your feedback, there is a link that you can go and you know highlight ways of being able to do that, so I would just suggest that you know he utilize that as a platform, but it's the benefit to this is, although there's these two grants, we will be piloting additional programs as well too. So, but didn't have some flexibility and doing additional stuff, so I think that you know, the best way to kind of do this is really provide that feedback. And then that goes for anyone who's participating this you know if you feel like. You think you know, maybe it's later in the day you're like Oh, what about this, you know, please use this link to provide that feedback because that's what we want, we want to hear that, so I would suggest using that, and you know, I appreciate your input.

Kathryn Harrison: Absolutely thanks so much Christina.

Patience Purdy: And we'll give it a minute seems like folks get a little more adventurous after someone else has come before them and don't currently see any hands up I don't know if there were other questions or comments that were around there I hadn't seen any of that, so I think what we'll do is remind everyone that. To provide program specific feedback you're going to go to NJEDA.com/program/specific/feedback and as Christina mentioned any comments any thoughts, you have, as these programs are being created are welcome and considered and what we're looking for in order to make sure that we're we're hearing everyone okay we've got seeds, all you needed as a little bit of time. And Abby if you can unmute Stu and Stu if you can tell us who you are and where you're calling from or how you're representing thanks.

Stu: Oh yeah. I'm consultant that works with A couple of agencies and Elizabeth New Jersey and, and this is, I don't know if it's more a question or a suggestion I know I work with a number of DCA neighborhood based commercial programs and have you had any discussions with the DCA staff responsible for their programs, to see how you can use their state and federal funding to leverage your money or vice versa, how you could work with those neighborhood based programs, which are, many of which are targeted and opportunities owns or targets to kind of

businesses that you're trying to assist Have you had any discussions with DCA staff about how your program could work with their program.

Christina Fuentes: yeah absolutely so we work very closely with DCA and Jeff Bueller who represent he heads up the neighborhood preservation program so yeah yeah so I figured that's where you're going so yeah We work very closely with him and then also Shawn Thompson as well who administers the mainstream. Yeah so um the I just want to remind people to that. As you know, with some federal funding right, you have to demonstrate a need and 25% loss and revenue typically with sometimes when certain products so. These products are very different, because they're understated procreation So these are more kind of you know supplemental grants to kind of support small business that may purchase equipment and you know can submit this and it's not that measurement of need and so with the Neighborhood Preservation Program. Which they're currently looking to expand as well to there'll be able to utilize these because these were previous grants that we did in very targeted areas and now we've expanded that we've expanded them to statewide, so this is eligible statewide. But also NPP can utilize these as well, and those live local neighborhoods so.

Stu: Okay, thank you very much.

Patience Purdy: Thanks Stu.

Okay, so no hands up currently please raise your hand if you want to make a comment will give it a minute, and there we go Jane Asselta hi Jane, Jane can you announce yourself and tell us who you're with.

Jane Asselta: Patience hi Christine Jane Asselta with the southern New Jersey Development Council quick just comment, I guess, my concern is for the wage requirements. The minimum wage currently isn't at \$15, as you know, and it won't be until 2025 and, as this is a reimbursement for a period of since 2020. That rate wasn't applicable then either so I'm just concerned that the wage rate will not just be a disincentive but also a barrier. Particularly for those kinds of companies, the small women own minority owned businesses that that might not be able to a have met that we'd rate since 2020 and it's currently not required of them, and yet this this program requires them to be willing to.

Christina Fuentes: yeah, so this is a requirement identified under the statute, which supports a holistic policy around being able to being able to really provide livable wages for employees, as well, too, so again. It is under the grant. So if you know businesses feel like they're a good fit for that then it's out, you know, open and eligible to them, but then we also have additional resources to provide them some access to capital. But it's it is you know, essentially, something that it's a choice and an option for the business owner.

Jane Asselta: Okay, thank you so it's statutory I didn't I didn't appreciate that was written into the ERA Thank you yeah. Thanks Jane.

Patience Purdy: Okay, so anyone else would like to raise their hand feel like I'm calling for the final every time and every time we get a new person. If not, then again I'll point out and jd a.com slash program dash specific dash feedback and also remind you that there will be another session tomorrow at 10am. So if you got folks that you think should be a part of this and give us some feedback, please share that information with them. Again, NJEDA.com/program/specific/feedback and thanks everyone for joining us today, we appreciate your time and you taking the time to provide your comments.