New Jersey Economic Development Authority Approves Grant and Loan Initiatives to Assist Businesses

Client Alert

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As a part of New Jersey's emergency package of legislation designed to address the COVID-19 pandemic, Governor Phil Murphy recently signed in law Assembly Bill A3845, which authorizes the New Jersey Economic Development Authority (NJEDA) to provide New Jersey businesses with two specific forms of relief during the COVID-19 crisis.

First, the legislation authorizes the NJEDA to provide grants from the Economic Recovery Fund to help keep operations running as companies experience slumps in revenue. The grants may be used for planning, designing, acquiring, constructing, reconstructing, improving, equipping and furnishing a project, and may include grants for working capital and payroll.

Pursuant to this authority, the NJEDA has approved the following new grant and loan initiatives, as posted today on its website:

Small Business Emergency Assistance Grant Program
A $5 million program that will provide grants up to $5,000 to small businesses in retail, arts, entertainment, recreation, accommodation, food service, and other services - such as repair, maintenance, personal, and laundry services - to stabilize their operations and reduce the need for layoffs or furloughs.

Small Business Emergency Assistance Loan Program
A $10 million program that will provide working capital loans of up to $100,000 to businesses with less than $5 million in revenues. Loans made through the program will have ten-year terms with zero percent for the first five years, then resetting to the EDA's prevailing floor rate (capped at 3.00%) for the remaining five years.

Community Development Finance Institution (CDFI) Emergency Loan Loss Reserve Fund
A $10 million capital reserve fund to take a first loss position on CDFI loans that provide low interest working

capital to micro businesses. This will allow CDFIs to withstand loan defaults due to the COVID-19 crisis, which will allow them to provide more loans at lower interest rates to microbusinesses affected by the outbreak.

CDFI Emergency Assistance Grant Program
A $1.25 million program that will provide grants of up to $250,000 to CDFIs to scale operations or reduce interest rates for the duration of the COVID-19 crisis.

NJ Entrepreneur Support Program
A $5 million program that will encourage continued capital flows to new companies, often in the innovation economy, and temporarily support a shaky market by providing 80% loan guarantees for working capital loans to entrepreneurs.

Small Business Emergency Assistance Guarantee Program
A $10 million program that will provide 50% guarantees on working capital loans and waive fees on loans made through institutions participating in the NJEDA's existing Premier Lender or Premier CDFI programs.

Emergency Technical Assistance Program
A $150,000 program that will support technical assistance to New Jersey-based companies applying for assistance through the U.S. Small Business Administration.

Second, A3845 gives the NJEDA discretion to provide companies that have been granted tax incentives pursuant to its Grow NJ job creation and retention incentive program up to two additional six-month extensions of time to file a project completion certification. The applicant must show that the delay in project completion is a result of economic disruptions caused by the COVID-19 State of Emergency.

The extensions are not automatic, and the delay must be due to unforeseeable acts related to the project that are beyond the applicant's control and without its fault or negligence. In addition, the applicant must establish that it is using its best efforts, with all due diligence, to proceed with the completion of the project and mitigating the delay. It should be noted that "best efforts" is a high bar under New Jersey law.

Please contact the author of this Alert, **Lydia C. Stefanowicz** lstefanowicz@greenbaumlaw.com | 732.476.3330 with questions, or for assistance in evaluating these funding opportunities. Ms. Stefanowicz is a partner in the firm's **Real Estate Department**.

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