



ECONOMIC RECOVERY BOARD FOR CAMDEN

GUIDE TO PROGRAM FUNDS

October 2009

The Economic Recovery Board for Camden (“ERB”) is a subsidiary of the New Jersey Economic Development Authority. For further information on the ERB, visit our website at www.CamdenERB.com.

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MISSION STATEMENT

To invest in revitalization projects in the City of Camden that are consistent with the comprehensive redevelopment strategy outlined by the State Economic Recovery Board for Camden in the Municipal Rehabilitation and Recovery Act and the Economic Recovery Board's 2003 Strategic Revitalization Plan and Capital Improvement and Infrastructure Master Plans.

PREFACE

The Municipal Rehabilitation and Recovery Act, P.L. 2002 C. 43 (the "Act"), sets forth a comprehensive economic development strategy for qualified cities as defined by the Act and authorizes the creation of the State Economic Recovery Board (ERB) as a subsidiary of the New Jersey Economic Development Authority. The New Jersey Economic Development Authority also serves as staff to the ERB. Currently, only the City of Camden meets the definition of a qualified municipality.

Pursuant to the Act, the ERB has adopted a Strategic Revitalization Plan and a Capital Improvement and Infrastructure Master Plan that set forth a strategy for the redevelopment of neighborhoods and downtown business districts, land uses including housing and open space, port development and recreation.

The Strategic Revitalization Plan provides a policy framework within which projects proposed for assistance under the Act may be evaluated. The Strategic Revitalization Plan will be used to guide the implementation of the Capital Improvement and Infrastructure Master Plan so that funded projects contribute to the overall goals of the Act. These plans can be viewed on the ERB's website **www.CamdenERB.com**.

The Act authorized the issuance of up to \$175 million in bonds for economic development projects that are consistent with these Plans, and charged the ERB with the responsibility of overseeing the funds. Financial assistance is available in the form of grants, loans and equity investments. Funds can be used for construction, rehabilitation, demolition, acquisition, professional fees or other costs related to projects that meet the eligibility requirements outlined within this guide.

The Act created four separate categories of funds for revitalization projects, as follows:

- \$35 million Residential Neighborhood Improvement Fund
- \$43 million Demolition and Redevelopment Financing Fund
- \$45.8 million Downtown Revitalization and Recovery Fund

\$47.7 million Higher Education and Regional Health Care Development Fund

Additionally, an Economic Recovery Planning Fund seeded with \$3.5 million in bond proceeds, is to be utilized by the ERB for costs related to the Strategic Revitalization and Capital Improvement and Infrastructure Master Plans and such other plans as required by the Act.

PURPOSES OF THE ECONOMIC RECOVERY BOARD

According to the Act, the purposes of the ERB are:

- a. In consultation with the Mayor and Chief Operating Officer, to prepare a capital improvement and infrastructure master plan and strategic revitalization plan, and to identify the resources necessary for its implementation, and marshaling of efforts of public and private entities which operate within the qualified municipality, and performance of any other tasks requested by the chief operating officer to assure the efficient use of, and maximum access to, public resources in order to assure the economic recovery of the qualified municipality;
- b. To review and approve plans submitted by any institution of higher education as a prerequisite for the receipt of funds authorized by the Act;
- c. To review all programs or projects undertaken pursuant to the Act, including but not limited to development and redevelopment efforts, including commercial, residential and industrial projects, facilities or sites, the issuance of any loan, grant or other equity investment pursuant to the Act, or any other State appropriation or allocation for the qualified municipality;
- d. The preparation of project lists and financial plans in accordance with Section 45 of the Act;
- e. The review of all recommendations, studies or other proposals related to the purposes of and undertaken pursuant to the Act;
- f. The engagement, through contract or other appropriate means, of those professionals or organizations whose expertise and experience would prove essential to achieving a comprehensive and strategic economic development plan;
- g. To oversee the special purpose funds created by Section 50 of the Act and to provide loans, guarantees, equity investments, and grants or other forms of financing of a sufficient scale and visibility to expand and sustain economic activity in qualified municipalities, both within the central business district and port district and in order to encourage revitalization of the municipality's neighborhoods outside of the central

business district through the rehabilitation, acquisition, demolition and redevelopment of property within those neighborhoods, the improvement of municipally-owned water supply and distribution facilities, and where necessary, the remediation of brownfield sites to foster redevelopment.

PROJECT ELIGIBILITY CRITERIA

The Economic Recovery Board has established certain policies for the approval of projects utilizing funds devoted for the financing of projects.

1. General Criteria for Project Financing

a. Consistency of the project with the Act, goals of the ERB Strategic Revitalization Plan, City Master Plan and neighborhood redevelopment or sub-area plans

b. Project meets the definition of a revitalization project as outlined in the Strategic Revitalization Plan:

“A revitalization project is a planned physical improvement that, when completed, will contribute to the economic, cultural, recreational, tourism, social (including housing, parks and community centers) or educational development of the City of Camden. A revitalization project has a specific location within the City and costs associated with its design, construction, and implementation. A revitalization project must be capable of being started in two years and completed in four years. A revitalization project will include those mandated by the Municipal Rehabilitation and Recovery Act and may include certified redevelopment projects.

Revitalization projects can involve the construction or rehabilitation of buildings, supporting infrastructure (utilities, streetscape, drainage, etc.) or community facilities (parks, libraries, community centers etc.) They can also include land acquisition and assembly provided that they can be concluded in two years and there is presented a credible financial and development plan for the reuse of the land that can be started within one year after land acquisition. Funds allocated to a revitalization project that does not meet the time requirement will be recaptured and reprogrammed.”

c. Readiness of applicant to proceed (financially and programmatically)

d. Availability of funds

2. Priority Objectives

Priority will be given to those projects located in the Key Opportunity Areas outlined in the Strategic Revitalization Plan that are capable of being started in two years and completed in four years. Within that framework, the ERB will give priority to projects that meet the following objectives:

- a. Are financially feasible and sustainable and demonstrate an ability to attract private investment
- b. Will result in growth in permanent employment opportunities in the City
- c. Will expand the tax revenues for the City or contribute to other income streams for the City
- d. Will positively impact neighborhoods by improving the “quality of life” through improvements that benefit the health and safety of residents or otherwise contribute to neighborhood stability and preservation
- e. Will leverage other money, to include private, federal, city, county or voluntary sector funds.

3. Transitional/Future Development Areas

Notwithstanding the ERB’s commitment to give priority to projects located in Key Opportunity areas as described in the Strategic Revitalization Plan, the ERB welcomes other applications for projects located in those Transitional/Future Development areas described in the Strategic Revitalization Plan. Funding for projects in these areas will be limited to:

- a. Projects that address a critical health or safety need of the residents of the area;
- b. Infrastructure projects that are consistent with the Capital Improvement and Infrastructure Master Plan and which address City-wide needs;
- c. Exceptional projects that:
 - i. Are of a catalytic, mixed use nature that will result in the stimulation of additional development in the neighborhood and that are part of a City approved area of redevelopment plan or strategy, City Master Plan, designated state/federal targeted area or zone;
 - ii. Will serve or beneficially impact a considerable number of people;
 - iii. When completed, have high visibility, resulting in the elimination of a blighted area of sufficient scale to spur additional private investment in the neighborhood

- iv. Are leveraged with a large amount of other private/public dollars in comparison with ERB funds.

PROJECT ASSISTANCE APPLICATION REQUIREMENTS

A Project Assistance Application can be obtained from the ERB by calling 609-292-2780 or by accessing the ERB website at **www.CamdenERB.com**. Applicants do not need to apply to an individual fund as described on pg. 1 of this guide. The appropriate use of the funds will be guided by program staff in its recommendation to the ERB for funding approval.

The following information is required in the project application:

1. A clear map of the municipality showing your project site
2. Description of the project including the boundaries of the site, block and lot location, zoning, neighborhood description, parking, the benefit; including estimated construction and permanent jobs to be created; and need for such a project, consistency with the Strategic Revitalization Plan and local redevelopment plans
3. Copy of site control documents, as applicable
4. Description of environmental conditions that exist on or near the site
5. A detailed breakdown on development costs from all sources
6. A listing of the sources of capital for which written, firm commitments have been obtained. Description of loan collateral, lien positions, conditions and terms of all loans and grants related to the project
7. A projected operating pro forma
8. Description of the developer, the development team, ownership and experience of the owner/developer
9. Project and construction schedules
10. Financial history of the owner/developer for the last three years
11. Marketing, managing and monitoring plans for the project
12. Documentation that demonstrates that the project meets the eligibility criteria

THE PROJECT ASSISTANCE APPLICATION PROCESS

Applications will be reviewed as they are received. Only those applications that are complete and certified by staff as being in compliance with the PROJECT ASSISTANCE APPLICATION REQUIREMENTS section above will be given consideration. Technical assistance will be rendered by EDA staff as appropriate and as necessary.

The review process is as follows:

1. **Eligibility Review:** EDA staff will review applications for program requirements, priority eligibility, and consistency with the Act and Strategic Revitalization Plan and Capital Improvement and Infrastructure Master Plan. Applicants will be informed of ineligibility or incompleteness of application.
2. **Other Financial Participation:** If the application is deemed eligible and complete, staff will refer the application to other State or local agencies for potential financial participation, if there it appears that financial assistance from other such sources is appropriate and has not been sought by the applicant.
3. **Financial Review:** Projects will undergo a financial feasibility analysis and other financing commitments will be reviewed. As appropriate, other state and local agencies participating financially will be asked for an assessment of the project.
4. **Project Approval:** If the project meets all eligibility, completeness and financing requirements, the project will be referred to the Project Review Committee of the ERB for its review and recommendation to the ERB for approval.
5. **Authorization of Funding Assistance:** Only Board Members of the ERB, by resolution, may take action to determine the project eligibility and to approve project financing assistance. As per the Act, ERB projects that have received ERB approval must be presented to the EDA Board for approval, by resolution, of the authorization to issue funds.

PROJECT ASSISTANCE GUIDELINES

The Strategic Planning process undertaken by the ERB and the public comment period that followed resulted in the ERB's adoption of the Plans in June 2003 as guiding documents for an investment strategy that will revitalize the City of Camden. This program guide reflects the requirements of the Act, the policy direction and goals of the Strategic Revitalization and Capital Improvement and Infrastructure Master Plans and sets forth specific project assistance guidelines, as outlined in this section. In consultation with its strategic planning consultants and as a response to public comment, the ERB adopted these funding guidelines as a means to achieve the

goals articulated in the Strategic Revitalization Plan and to attract the highest leveraging of private investment in revitalization projects.

1. Projects must meet eligibility requirements as described within this document and be consistent with P.L. 2002, C. 43. Projects may be deemed eligible for ERB funds if used for the following purposes:

- a. Infrastructure, including water and sewer improvements
- b. Demolition
- c. Property acquisition
- d. Street scape and street signage improvements
- e. Construction of housing, commercial and industrial buildings
- f. Landscape amenities
- g. Brownfield remediation
- h. Tot-lots, community gardens
- i. Facade restoration
- j. Rehabilitation of commercial and residential structures
- k. Institutional expansions as outlined in Section 52 of the Act
- m. Municipal projects as defined in Section 50 (c) of the Act

2. Up to 5%, or \$8.75 million, of the \$175 million in ERB funds may be utilized for affordable housing projects.

3. Not less than 10%, or \$17.5 million, of the \$175 million in ERB funds will be invested in eligible projects in Transitional areas as defined by the Strategic Revitalization Plan.

4. Up to **\$70 million** of available ERB funds may be utilized by the ERB for infrastructure projects, which are designated as priority projects in the Capital Improvement and Infrastructure Master Plan, the List of Priority Projects Report and/or are critical to an approved redevelopment project or other project endorsed by the Chief Operating Officer (COO). An infrastructure project can include, among other things, demolition, property acquisition, site remediation, installation of utilities, sewers, roads, sidewalks, streetscape, greenspace and related improvements.

Infrastructure projects may be funded up to 100% of total project costs not to exceed \$5.0 million per request. This project funding may take the form of grants (for installation of utilities, sewers, roads, streetscape, sidewalks and related improvements) and recoverable grants (for demolitions, property acquisition and site remediation).

With regard to infrastructure projects for site remediation, grants are available for site remediation activities that are not eligible for grant funding from the New Jersey DEP Hazardous Discharge Site Remediation Fund (HDSRF) up to \$2,000,000 per project. These activities include lead base paint abatement, asbestos abatement, PCB remediation, interior (soft) demolition, and related costs including project management fees.

The applicant must demonstrate, through written evidence, that other sources of funding are insufficient or unavailable for the project to proceed. Infrastructure projects seeking ERB funding should be linked to and consistent with a neighborhood redevelopment, revitalization or recovery plan or, in the absence of such a plan, should have the endorsement of the COO. Further, the applicant must provide information that additional investment is likely to take place should the funding request be approved.

Requests for exceptions to these funding guidelines for infrastructure projects can be considered by the ERB for projects which strongly evidence significant health, safety, welfare, economic, social or other benefits which contribute to the revitalization of the City of Camden and/or the neighborhood (s) in which the project is located (as certified by the COO, the Mayor and the Commissioner of the New Jersey Department of Community Affairs) and only when it is evidenced by the applicant that alternate public and private funding sources are not available or sufficient for the infrastructure project. Approval of such exceptional funding requests requires the endorsement of the Chief Operating Officer and approval from the ERB.

5. The ERB will not provide construction financing except on projects mandated in Section 52 of the Act and/or for infrastructure and housing projects whereby an agent of the State or City and/or a lender will monitor the construction disbursements. To be considered for construction financing the applicant must meet the above criteria and evidence that the project will not be feasible without ERB construction financing. Approval of such exceptional financing requires the endorsement of the Chief Operating Officer and approval from the ERB.

6. Projects may be funded for up to 30% of project costs, except as indicated in #4 above and #7 and #9 below. The balance may be from any source. Funding may take the form of grants or recoverable grants under paragraphs #4, #8, and # 9. All other funding shall take the form of loans or equity.

Notwithstanding the above, if a project does not qualify for loan or equity assistance, a project may be awarded a grant of up to 10% of eligible project costs. A grant may be awarded if the project can demonstrate that it will: leverage significant investment,

generate significant social, economic or other benefits and establish the viability of the project as a whole. Further, the applicant for assistance must demonstrate that other sources of funding are insufficient or unavailable for the project to proceed. In this 10% grant circumstance, the combined ERB assistance (i.e. loan or equity plus grant) may not exceed the 30% of eligible project costs.

7. To encourage market rate housing development, the ERB may provide gap financing in the form of a “soft” loan of up to 40 % of the total development cost. The loans will not bear interest, nor will they require principle repayment if either requirement makes the project infeasible. In addition, where the intent is to create market rate housing, the ERB will not allow deed restrictions to be placed on the housing that would limit the incomes of the applicants. Deed restrictions that require owner occupancy may be required for housing related project assistance.

Housing projects (affordable and/or market rate) may receive ERB funding as loans for up to \$60,000 per unit not to exceed \$5.0 million. ERB funding for housing projects may exceed these limits if it can be demonstrated that the project has exceptional circumstances, e.g. unusually high development costs, can leverage significant other investment, will help create significant social, economic and other benefits and will establish the viability of the project as a whole. Further, the applicant for this exceptional ERB funding must demonstrate that other sources of funding are insufficient or unavailable for the project to proceed.

Affordable rental housing projects utilizing Low Income Housing Tax Credits may receive ERB funding in the form of non-amortizing, non-recourse loans with an interest rate of 1% for a term of up to 30 years. The ERB Loan will be secured by a mortgage note on the project property and will be subordinate to all other government financing. Repayment of the ERB loan shall be made from 50% of the available cash flow remaining after payment of operating expenses, required reserves and amortized mortgage debt. Repayment shall be made *pari passu* with repayment of any other subordinate government financing. Upon maturity of the loan, the balance of any unpaid principal, together with all accrued interest, shall become due and payable.

8. Recoverable grants for up to \$100,000 may be made for feasibility studies and other pre-development costs related to the project. In the event the project moves forward, the grant will be included in the total project financing and repaid from the permanent financing of the project.

9. Grants may be made to partially fund public purpose projects. These grants shall not exceed 50% of the total cost of the project. Maximum grant amount is \$1,000,000. Up to \$7.5 million of available ERB funds may be utilized for public purpose projects. A public purpose project shall be a project that addresses a documented public need with a likelihood of timely and demonstrable benefits for residents, a neighborhood or other area or for the municipality in general. The project may be privately or publicly sponsored. If

necessary, the project may collect reasonable fees from users to sustain operations. The project must be available to intended users and/or beneficiaries on a non-exclusive basis.

10. Loans shall not exceed 30% of the total project cost, with the loan amount being limited to the “gap” amount needed to allow the project to proceed. The “gap amount” is defined as the Eligible Project Cost less the amount of conventional financing obtainable for the project at normal conventional terms and rates less the amount of equity (at least 10%) being injected into the project.

ELIGIBLE PROJECT COST

- CONVENTIONAL FINANCING, INCLUDING PUBLIC FUNDS

- EQUITY

GAP AMOUNT

11. Terms of Financial Assistance for loans:

- a) the interest rate on a loan from the ERB will be one-half of the Federal Discount Rate at the time of loan approval, or three percent, whichever is greater;
- b) the loan payment will have a maximum term of ten years, however, the amortization may be based on 25 years with a balloon payment due at the end of 10 years.

12. Job Creation Financial Products

The following products may be utilized for large projects that would bring at least 500 jobs to the City:

“Bullet Loans” may be utilized as follows: interest only during the loan term with principal due at maturity and interest payable monthly during the loan term. The loan term may exceed 10 years as required by the first mortgage lender. In some instances, the bullet loan may accrue interest until maturity but not pay the interest during the loan term. Both accrued interest and principal would be due at loan maturity. This loan is looked upon as quasi equity and the term would be tied to the requirements of the first mortgage holder.

In some cases, a true equity position may be required to enable a project to proceed. In an equity position, there would be no payment of principal or interest. This would be a true ownership interest and the Authority would share in the profit or loss upon the future sales of the project. Minimum equity investment required is \$1,000,000.

13. Program fees are as follows:

- a. Application: For-profit entities: \$500 Non-profit entities: \$250

b. Financial Assistance Origination Fee : 1% (.5% at commitment, .5% at closing) but not less than \$500.

These fees are for ERB funding only and do not include fees other funding sources may require.

14. Minimum loan amount is \$35,000. Minimum grant amount is \$25,000.
15. Pursuant to the Act, prevailing wages must be paid to all workers employed in the performance of any construction contract undertaken with ERB funds.
16. Applicants that receive funds will be required to comply with the EDA's policies regarding affirmative action goals in the hiring of construction workers and to submit certain reports and certificates and include certain provisions in construction contracts to comply with reporting requirements.
17. ERB credit review will utilize existing EDA collateral guidelines for loan structuring. To the greatest extent possible, ERB funds will be secured with specific collateral. When structuring the loan, a determination will be made as to the merits of the request, the likelihood of repayment and the adequacy of collateral value available to secure the financing. Loans are approved based on the reasonableness of the request and the likelihood of repayment by profit generation.
18. ERB funds can be provided as grant anticipation notes when such notes are secured by governmental entities and the use of proceeds for such notes are for an eligible project as defined in the Act.
19. ERB funds in the amount of **\$10.5 million** have been allocated from the Demolition and Redevelopment Financing Fund for the Business Improvement Incentive (\$500,000) and Business Lease Incentive (\$10 million) to be used to stimulate commercial, industrial and retail business activities throughout the City of Camden. Below are the criteria for each of the incentives:

A. Business Improvement Incentive:

Purpose: Facade and Interior Improvements

Eligibility: For Profit and Not for Profit Entities
Limited to three (3) grants per property owner.

Amount*: 50% of Total Project Cost not to exceed \$20,000

Project Cost: Minimum of \$5,000.

- Criteria**:
- 1) Business entity must be located on any commercial corridor in the City of Camden.
 - 2) All applicants are required to pursue UEZ certification, if applicable.
 - 3) Applicants prohibited from receiving the Business Lease Incentive.
 - 4) All applicants are required to obtain applicable zoning and building permits.
 - 5) All applicants are required to facilitate job recruitment through the Camden One Stop.
- Credit: Business entity must be credit worthy as certified by the NJEDA
- Disbursement: 1) 100% of incentive amount upon completion of improvements.
- Fee:
- 1) \$500 Application Fee for For Profit Entities
 - 2) \$250 Application Fee for Not for Profit Entities.
 - 3) \$100 Administrative Fee

*Must certify 1:1 match

B. Business Lease Incentive:

- Purpose: Business Attraction and Expansion
- Eligibility:
- 1) Any For Profit Business* or Not for Profit Organization**
 - 2) One Business Lease Incentive grant approval per leased premises.
- Criteria:
- 1) Business seeking to relocate to the City of Camden leasing more than 500 s.f. of building space or businesses seeking to expand within the City of Camden leasing more than 500 s.f of additional building space.
 - 2) Minimum Lease term is 5 years
 - 3) All leases need to be market rate leases certified by the NJEDA.
 - 4) All applicants are required to pursue UEZ certification, if applicable.
 - 5) Applicants prohibited from receiving the Business Improvement Incentive.

- 6) Applicants must lease space in facilities and locations which are consistent with the City's master plan.
- 7) Applicants must obtain all applicable zoning and building permits.
- 8) Applicants must facilitate job recruitment through the Camden One Stop.
- Credit Criteria:
- 1) Business must be financially viable as certified by the NJEDA
 - 2) Certification by the facility owner and/or landlord of no prior lease incentives.
 - 3) Pilot or real estate taxes to be calculated based on full market value and paid by the applicant.
- Fees:
- 1)\$500 Application Fee for For Profit Entities
 - 2)\$250 Application Fee for Not for Profit Entities
 - 3)Annual Administrative Fee equal to 1% of the Annual Lease Incentive
- Term of Incentive: Leases signed prior to **09/30/10**.

Office/High Tech Leases:

Disbursement***:	<u>5 Year Lease</u>	<u>10 Year Lease</u>
	Year 1 = \$5/s.f. Year 2 = \$4/s.f.	Year 1 = \$5/ s.f. Year 2 = \$4/s.f. Year 3 = \$3/s.f. Year 4 = \$2/s.f. Year 5 = \$1/s.f.

Industrial Leases:

Disbursement***:	<u>5 Year Lease</u>	<u>10 Year Lease</u>
	Year 1 = \$3/s.f. Year 2 = \$2/s.f.	Year 1 = \$3/ s.f. Year 2 = \$2/s.f. Year 3 = \$2/s.f. Year 4 = \$2/s.f. Year 5 = \$1/s.f.

Retail/Entertainment Leases:

Disbursement***:	<u>5 Year Lease</u>	<u>10 Year Lease</u>
	Year 1 = \$6/s.f. Year 2 = \$4/s.f.	Year 1 = \$6/ s.f. Year 2 = \$5/s.f. Year 3 = \$4/s.f. Year 4 = \$3/s.f. Year 5 = \$2/s.f.

Payment: Paid annually upon receipt of landlord confirmation of no monetary or other material lease agreement default and certification by the applicant of any other governmental grants received by applicant not to exceed 80% of the annual lease payment.

* Excluding Telecommunications Hotels, Disaster Recovery Facilities, and Switch Communications Stations due to low employment opportunities, and Alter Ego/Related Party Businesses.

** High Tech and Business Incubators tenants in these facilities would not be eligible for independent lease incentives.

*** Incentive payment not to exceed 50% of annual lease payment or when combined with any other governmental grants not to exceed 80% of annual lease payment.