



**MEMORANDUM**

**TO:** Members of the Authority

**FROM:** Tim Sullivan  
Chief Executive Officer

**DATE:** December 21, 2022

**SUBJECT:** New Jersey Evergreen Innovation Fund: 2022 Program Auction Bid Approvals

**SUMMARY**

Staff is requesting the Members approve the award of tax credits to purchasers under the New Jersey Innovation Evergreen Program based on the results of an auction, subject to the execution by the purchasers of a tax credit purchaser contract.

**BACKGROUND**

The New Jersey Innovation Evergreen Act (“Act”) was signed into law by Governor Murphy as part of the Economic Recovery Act of 2020. In April 2022, the Board of the Authority approved specially adopted and concurrently proposed Evergreen regulations. The Act established both the New Jersey Innovation Evergreen Fund (“NIEF”, or “Evergreen Fund”) and the New Jersey Innovation Evergreen Program (“Program”), which is a partnership with the private sector that raises and invests funds in high growth New Jersey-based companies. The Program will increase venture capital funding available to the State’s innovation ecosystem and create the conditions necessary for entrepreneurs to succeed. The Act authorizes the NJEDA to sell up to \$300 million of Corporation Business Tax (CBT) credits over the next five years through a series of competitive auctions, proceeds of which are to be deposited in the Evergreen Fund to be used for Program investments. Pursuant to the Act, via the auction corporations operating in New Jersey may purchase tax credits for a minimum price of 75% of face value to offset their CBT liability in the state by up to 25%. In addition, successful tax credit purchasers must provide a strategic commitment to support the State’s innovation ecosystem. This year marks the inaugural year of the Evergreen Fund tax credit auction. Applications for the 2022 auction year opened August 1<sup>st</sup> and closed October 7<sup>th</sup>. The results of the auction are presented here for approval.

## **2022 AUCTION CYCLE**

Pursuant to delegation granted by the Board on April 13, 2022, the Chief Executive Officer determined the 2022 auction timeline to optimize the participation in, and outcome of, the auction. The inaugural 2022 auction opened with an initial amount of \$30 million in tax credits available for purchase. NJEDA subsequently increased the amount to \$50 million due to early indications of high participant demand. The auction received eligible application bids from 8 companies requesting a total benefit amount of \$62.3 million in tax credits, generating an oversubscription of approximately \$12.3 million. Based on the outcome of the auction for the 2022 program year (as described below), participants will be able to purchase the \$50 million of tax credits for an aggregate purchase price of \$41.1 million. This represents an average purchase price of 82% of tax credit face value, 7% higher than the statutory requisite of 75%. In addition, when considering the \$3.8 million cost of proposed strategic commitments that will benefit the innovation ecosystem in the State of New Jersey, the average benefit to the State further increases to 90% of tax credit face value.

Authority staff recommends the Board approve awardee purchases of prorated tax credit award amounts based on participant total scores, illustrated in Appendix A. To determine award allocations, each completed application bid was scored by a committee of Authority staff members following the April 2022 Board-approved methodology. Applicants' total scores are a composite of financial bid prices (the amount paid for a dollar of tax credits) and strategic commitment scores. Following the close of the application period, Authority staff members evaluated each bid to ensure eligibility, completeness, and compliance. As part of a completed application bid, applicants provided 10% of the desired purchase amount of tax credits to the Authority as a refundable deposit. During the diligence process 4 additional applicants withdrew from the auction. After initial scoring and ranking of complete application bids, applicants had the opportunity to increase their financial bid prices and/or strategic commitments through a best and final bid process conducted from November 4<sup>th</sup> through November 14<sup>th</sup>. Authority staff rescored all final bids to determine the recommended prorated amount of tax credits according to applicants' final scores and ranking.

Per program regulations, no tax credit purchaser will receive less than \$500,000 of program tax credits following from submission of an eligible application bid. In keeping with the Board-approved process, tax credit requests above the program minimum were prorated based on applicants' total scores, as depicted in Appendix A.

If approved, Tax Credit Purchasers will be required to fulfill each of its proposed strategic commitments, as well as agree to participate on the New Jersey Innovation Evergreen Advisory Board. All tax credit purchasers must provide the Authority with annual progress reports on strategic commitments and a completion report which will include contractually agreed upon documentation to verify the completion of each strategic commitment. A failure to meet at least 80% of an approved strategic commitment will result in a payment to the Authority equal to the cost of the missed strategic commitment, as identified at the time of application bid. Tax credit purchasers will be granted a one-year cure period to return to compliance before payment is due. Additional terms and conditions of the purchase will be contained in a Tax Credit Purchaser Contract that each Tax Credit Purchaser must execute.

Appendix B describes the 8 recommended applicants' businesses, strategic commitments and bid scores. Applicants in the program, are household names and industry leaders based-in or with substantial operations in New Jersey. They represent a diverse array of industries, including the financial technology, telecommunications, information technology consulting, retail, pharmaceutical, transportation, and logistics sectors. Approvals of the application bids will initiate significant strategic contributions that will support the innovation ecosystem in the State of New Jersey. Summary examples of this support, include: contributions to support external mentorship programs; free shared workspace open to high growth startups; long-term commitments of education and training to support the futures of STEM students from underserved school districts in the State; forums that will bring world-class investors, enterprises and early-stage startups together in New Jersey; and more. Appendix C describes the strategic commitment scoring methodology approved by the Board of the Authority in April 2022.

If approved, the capital raised from the sale of the tax credits and deposited in the Evergreen Fund, will result in funding initial investments in 6-10 high growth businesses in the New Jersey in 2023, assuming some allocation is reserved for follow-on investment and associated management costs. In accordance with the program legislation, the Authority will utilize 75 basis points of the total funding amount deposited in the Evergreen Fund annually, \$308,250 for the 2022 auction year, to administer additional programs that support the growth of innovation in the State, with specific consideration to promote high growth businesses based in opportunity zones.

**RECOMMENDATION:**

Based on the evaluation conducted by Authority staff, according to the criteria established by the legislation and the program regulations, tax credit award purchase approval is recommended for the applicants listed in Appendix A, conditioned on execution of Tax Credit Purchaser Contracts.



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Tim Sullivan, CEO

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Attachments:

Appendix A – 2022 Auction Results

Appendix B – 2022 Auction Bid Details

Appendix C – Strategic Commitment Scoring Methodology

## Appendix A – 2022 Auction Results

The requested amount of tax credits of \$62,266,667 exceeds the 2022 tax credit availability of \$50,000,000. Staff proposes the approval of the following tax credit awards, which are prorated based on applicant scores, in keeping with program regulations. Following the Board-approved process, qualified bids are ranked in sequential order from the highest to the lowest total score. Applicants’ total scores are the sum of financial bid prices (the amount paid for a dollar of tax credits, or percent of face value) and strategic commitment scores. All qualified applicants receive the ability to purchase a \$500,000 minimum amount of tax credits, along with a prorated amount of tax credits based on their total score.

The percentage allocation of credits available to each purchaser above the minimum \$500,000 decreases in equal increments based on relative score of the purchaser. Higher ranked applicants will receive a greater proportion of their requested amount of tax credits, while the lower ranked applicants will receive a smaller award as percentage of the total requested. Based on the 2022 auction bids, each 0.01 difference of total score equates to a 4.2% incremental proration that reduces the amount of tax credits available for purchase relative to the applicant’s desired purchase amount.

Applicant Name	Total Score	Rank	Percent Awarded (Proration) *	Tax Credit Award	Purchase Price
Verizon Communications, Inc.	1.17	1	100%	\$20,000,000	\$17,000,000
Comcast Cable Communications LLC	1.13	2	83%	\$20,886,392	\$17,231,274
CRB Group, Inc. (DBA Cross River Bank)	1.12	3	79%	\$4,055,549	\$3,041,662
Daiichi Sankyo, Inc.	1.07	4	58%	\$790,122	\$632,098
Interpool, Inc. (DBA TRAC Intermodal)	1.02	5	37%	\$1,796,282	\$1,347,211
CGI Technologies and Solutions	0.98	6	20%	\$722,710	\$542,033
GSK Consumer Healthcare (DBA Haleon)	0.97	7	16%	\$526,748	\$395,061
Holman	0.97	7	16%	\$1,222,197	\$916,648
				<b>\$50,000,000</b>	<b>\$41,105,986</b>

Note\*: Percent of requested tax credits, above the \$500,000 program minimum, awarded.

## **Appendix B – 2022 Auction Bid Details**

### **CGI Technologies and Solutions**

**Company Description:** Founded in 1976, CGI is among the largest IT and business consulting services firms in the world and is based in New Brunswick, New Jersey.

**Strategic Commitment Total Cost:** \$160,000

**Strategic Commitment Score:** 0.23

**Financial Bid Price:** 0.75 or 75% of face value

**Total Score:** 0.98

**Strategic Commitment Description:** Work Force Development of Underserved Communities – CGI commits to partnership with the New Brunswick School District on the Pathways in Technology Early College High Schools (P-TECH) program, which provides New Jersey high-school students with the opportunity to earn both a high school diploma and a no-cost, two-year post-secondary degree in a STEM field. This program serves students from primarily underserved backgrounds, with no testing or grade requirements, and is a powerful demonstration of public-private partnership designed to help all students achieve at the highest levels. Students participate in a range of workplace experiences, including mentorship, worksite visits, and paid internships.

The company commits to investing \$64,000 annually in the program over a 30-month period through in-kind services such as providing STEM camps, curriculum development, mentorship, guest speakers at events, work site visits, training websites, and internships. The program provides opportunities for underserved students in New Jersey schools to receive mentorship and exposure to technology fields at an early age, and earn local, high paying, technology-based jobs. Program activities will support the State's innovation economy by strengthening and improving diversity among the talent base and providing students with the skills needed for high paying technical jobs.

### **Comcast Cable Communications, LLC**

**Company Description:** Comcast Corporation is the publicly traded parent of Comcast Cable (dba Xfinity), NBCUniversal, and Sky ("Comcast"). Comcast Cable and NBCUniversal have significant business operations in New Jersey. Comcast has over 4,900 employees in New Jersey (as of 2021) and has invested over \$1 billion in the State's infrastructure over the last three-year period ending in 2021.

**Strategic Commitment Total Cost:** \$1,000,000

**Strategic Commitment Score:** 0.30

**Financial Bid Price:** 0.825 or 82.5% of face value

**Total Score:** 1.13

**Strategic Commitment Description:** Fund Organizations Which Drive Technology Skills to Non-Traditional Recipient Groups - Comcast will provide \$1,000,000 in grant funding to ten innovation ecosystem nonprofits with an active presence in New Jersey. Comcast will direct the

funds to be used as listed below to enhance technology and innovation skills in traditionally underrepresented communities in New Jersey.

- \$50,000 to each of the Boys and Girls Club of Atlantic City, Jersey City, Trenton, and Union County (\$200,000 total) - The Boys & Girls Club is a 501(c)(3) nonprofit organization that serves as a safe haven for children ages 6 to 18, creating opportunities for young people to explore new careers, industries, cultures, and ideas. Boys & Girls Clubs are current Comcast partners, with programs focused on exposing youth to STEM opportunities.
- \$100,000 to the Camden Dream Center - Camden Dream Center's is a nonprofit whose team of educators, researchers, and community activists create educational programs that not only engage students but also to prepare them for college and the IT workforce.
- \$150,000 to Hope Works (Camden) - With a focus on skill development, real-world job experience, and trauma-informed care, Hopeworks provides workforce training in tech fields that propel young adults into long-term living wage careers that put them on the path for healing and financial stability.
- \$200,000 to NPower - NPower creates pathways to economic prosperity by launching digital careers for military veterans and young adults from underserved communities including programs focused on women of color in technology.
- \$150,000 to Girls who Code - Girls who Code reaches girls around the world in order to close the gender gap in new entry-level tech jobs by 2030.
- \$125,000 to Per Scholas (Newark) - Per Scholas provides skills training and access to employer networks to individuals often excluded from tech careers. Over 17,000 graduates from their programs have launched successful careers in tech through their no-cost technical training.
- \$75,000 to the R&D Council of NJ - The Research & Development Council of New Jersey works to advance research and development throughout New Jersey, advocating on behalf of research-driven companies and universities in the state. The organization bolsters New Jersey's STEM education and career pipeline and fosters collaboration among industry, academia, and government in line with the state's innovation initiatives.

### **CRB Group, Inc. (dba Cross River Bank)**

**Company Description:** Cross River provides technology infrastructure powering the future of financial services. Leveraging its proprietary real-time banking core, Cross River delivers innovative and scalable embedded payments, cards, lending and crypto solutions to millions of consumers and businesses. Cross River is backed by leading investors and serves the world's most essential fintech and technology companies. Together with its partners, Cross River is reshaping global finance and financial inclusion.

**Strategic Commitment Total Cost:** \$145,000

**Strategic Commitment Score:** 0.37

**Financial Bid Price:** 0.75 or 75% of face value

**Total Score:** 1.12

**Strategic Commitment Description:** Minority & Women’s Mentorship Program — Cross River Bank will provide executive mentorship and support to a cohort of low income and underrepresented startup founders and small business owners in the State through a partnership with TechUnited, a New Jersey innovation ecosystem nonprofit. The mentorship cohort will receive 100 hours of mentoring from company executives including business advice, financial guidance, and paths for small business loans and access to capital. Four cohort members will also receive grants to present at the Propelify Innovation Festival. Cross River Bank will provide \$145,000 in direct financial support to fund the commitment.

**Daiichi Sankyo, Inc.**

**Company Description:** Daiichi Sankyo is a pharmaceutical company with a U.S. headquarters in Basking Ridge, NJ. The company maintains 16,000 employees globally, with the goal to be an innovative global healthcare company contributing to the sustainable development of society by creating essential medicine for longer and better lives.

**Strategic Commitment Total Cost:** \$220,000

**Strategic Commitment Score:** 0.27

**Financial Bid Price:** 0.80 or 80 % of face value

**Total Score:** 1.07

**Strategic Commitment Description:** Fellowship Program - Daiichi Sankyo commits to offering a U.S. Medical Affairs Fellowship to at least four New Jersey students through a partnership with Rutgers University to help PharmD students by providing first-hand experience in research and medical affairs. The goal is to provide real-world, hands-on experience in oncology across traditional functional areas of a Medical Affairs Department. Throughout their program, fellows will gain an in-depth understanding of Medical Affairs as well as cross-functional interdependencies within the pharmaceutical industry. The program is intended to prepare students to drive successful innovation in healthcare, which will help expand and develop the ecosystem in New Jersey area.

**GSK Consumer Healthcare Holdings US Inc. (dba Haleon)**

**Company Description:** Haleon is a global leader in consumer health, with brands trusted by millions of consumers globally, and is headquartered in Warren, New Jersey. The company employs over 22,000 people across 170 markets, who are united by Haleon’s purpose - to deliver better everyday health with humanity. Haleon’s product portfolio spans five major categories - Oral Health, Pain Relief, Respiratory Health, Digestive Health and Other, and Vitamins, Minerals and Supplements.

**Strategic Commitment Total Cost:** \$10,506

**Strategic Commitment Score:** 0.22

**Financial Bid Price:** 0.75 or 75% of face value

**Total Score:** 0.97

**Strategic Commitment Description:** Rutgers Business School MBA Consulting Course – Haleon commits to partnering with the Rutgers Business School for the development and maintenance of an MBA consulting course focused on experiential learning. Two senior level employees will develop an innovation-related business problem for a small group of students (4-5 students) to work on over the course of the semester. The project will provide a real-life learning experience for the students, as well as insights and recommendations from the students for the company. Project leads from the company will work with the students over the course of the course, including a kick-off call and regular check-ins throughout, to guide the students and ensure they are on track to deliver actionable results. The students will present their final report and recommendations to a cross-functional group at the end of the semester. This program is meant to help Haleon and students discover and prepare for innovative changes to the retail market.

### **Holman**

**Company Description:** Holman is a global automotive leader that serves both commercial and consumer clients. The Holman story began nearly a century ago as a single Ford dealership in New Jersey. Today, Holman, headquartered in Mount Laurel, New Jersey, is one of the largest family-owned automotive service organizations in North America with more than 6,500 employees across North America, the UK, and Germany.

Holman delivers a unique range of automotive-centric services including industry-leading fleet management and leasing; vehicle fabrication and upfitting; component manufacturing and productivity solutions; powertrain distribution and logistics services; commercial and personal insurance and risk management; and retail automotive sales as one of the largest privately owned dealership groups in the United States.

**Strategic Commitment Total Cost:** \$45,000

**Strategic Commitment Score:** 0.22

**Financial Bid Price:** 0.75 or 75% of face value

**Total Score:** 0.97

**Strategic Commitment Description:** Holman Emerge Innovation Event — Holman commits to hosting an automotive and mobility industries innovation economy event in New Jersey that will bring together thought leaders from Holman, investment firms, startups, dealers, vendors, and partners, to network and learn about emerging trends and technologies shaping the future of the automotive and mobility industries. Event activities will include industry trend presentations, startup pitches, fireside chats, breakout sessions and general networking. The event will include New Jersey entrepreneurship students to attend to learn and network in-person with founders, investors, and companies. Prior innovation economy events hosted by the company have included over 150 registered attendees, and at least the same attendance is expected for the 2023 event.

### **Interpool, Inc. (dba TRAC Intermodal)**

**Company Description:** TRAC Intermodal was formed in 1988 as an operating lessor servicing the intermodal transportation equipment industry, and is headquartered in Princeton, New Jersey. Current business lines include purchasing equipment directly from manufacturers and shipping



lines as well as through lease agreements. As of December 31, 2021, the Company owned, leased-in or managed a fleet of approximately 177,000 chassis which are used carry intermodal containers in interstate commerce.

**Strategic Commitment Total Cost:** \$90,000

**Strategic Commitment Score:** 0.27

**Financial Bid Price:** 0.75 or 75% of face value

**Total Score:** 1.02

**Strategic Commitment Description:** Monetary Support to established Innovation Ecosystems Partners – TRAC Intermodal will donate \$90,000 to three established organizations in the New Jersey innovation ecosystem, to support operations in the State. \$10,000 will be donated to each entity per year during the three-year period from 2023-2025. By partnering with these organizations, the company will help facilitate the promotion of startups and innovation by women and minorities within New Jersey.

- *Digital Undivided:* A social startup with a 501 (c)(3) status that merges data and heart to develop innovative programs and initiatives that catalyzes economic growth in Latina and Black women communities.
- *NJ Chapter of Golden Seeds:* The New Jersey Chapter of a national angel investment community seeking and funding high-potential, women-led businesses that create lasting impact.
- *Girls Who Code:* A nonprofit organization that is dedicated to closing the gender gap in technology and computer science. Their mission is to inspire more girls to become computer scientists and engineers.

### **Verizon Communications, Inc.**

**Company Description:** Verizon Communications Inc. is one of the world's leading providers of technology and communications services, and is headquartered in Baskin Ridge, New Jersey. The company offers voice, data and video services and solutions on its networks and platforms, delivering on customers' demand for mobility, reliable network connectivity, security, and control.

**Strategic Commitment Total Cost:** \$2,124,650

**Strategic Commitment Score:** 0.32

**Financial Bid Price:** 0.85 or 85% of face value

**Total Score:** 1.17

**Strategic Commitment Description:** Partnership with TechUnited: NJ and Better Future Labs – Verizon will partner with New Jersey Innovation Economy nonprofit TechUnited to provide direct financial support and in-kind services to the Better Future Labs startup studio program. Verizon will be a founding member of this program which is meant to harness the university and founder community in New Jersey to create new innovative companies and by providing supporting infrastructure. Verizon will directly contribute \$750,000 to fund the program along with in-kind services such as mentorship hours, program marketing, and access to office space to host networking events and co-working space for New Jersey founders.

## **Appendix C – Strategic Commitment Scoring Methodology**

The following New Jersey Innovation Evergreen Fund tax credit auction strategic commitment scoring methodology was approved by the Board of the Authority in April 2022 and is publicly available on the program website.

The strategic commitment scoring rubric is built to evaluate a myriad of potential open-ended scenarios put forward by applicant bidders. A strategic commitment is scored based on ten criteria with a maximum achievable raw score of 30 points. The strategic commitment score, when applied in the Board-approved scoring calculation, will represent a maximum of one-third of the aggregate final score, the majority of which is determined from the financial bid price (the percent of face value paid by the tax credit purchaser).

**1. External partners** (government agencies, corporations, municipalities, universities, trade groups, etc.) involved with the initiative - One of the main goals of the Evergreen program is ecosystem-building and the creation of a more robust innovation landscape in New Jersey. By partnering with existing entities that have a lasting and important role within New Jersey, it is expected that the value of the strategic commitment will multiply.

- a. 1 point for no external partners
- b. 2 points for 1 or 2 external partners (in addition to the bidder)
- c. 3 points for 3+ external partners (in addition to the bidder)
- d. An additional 2 points are achievable for those who are **working with established entities in the New Jersey innovation sector** (such examples are, trade-groups, entrepreneurship development programs, and annual pitch events).

**2. Educational Institutions** – A strategic commitment that offers internships, apprenticeships, or on the job training to students at several NJ schools versus prioritizing a single campus has a larger reach and impacts more communities.

- a. 1 point for <2 institutions
- b. 2 points for 2-3 institutions
- c. 3 points for 4+ institutions

**3. Opportunity Zone Outreach** - Commitments that are geographically focused on Opportunity Zones show a focus on underserved communities in New Jersey. As part of the Governor’s Economic Development plan diversity, equity and inclusion are all key to building a stronger, fairer New Jersey.

- a. 1 point for <2 opportunity zones
- b. 2 points for 2-3 opportunity zones
- c. 3 points for 4+ opportunity zones

**4. Duration of the strategic commitment** - A short term strategic commitment is useful, but a longer term commitment will have a more lasting impact to support a more robust innovation ecosystem.

- a. 1 point for <1 year
- b. 2 points for 1-2 years

c. 3 points for 3+ years

**5. Frequency of the strategic commitment** – Commitments have an opportunity to create a larger impact over multiple iterations versus fewer iterations. A strategic commitment that occurs multiple times has a potentially larger impact than those accomplished in a single instance.

- a. 1 point for <1 time/year
- b. 2 points for 2-3 times/year
- c. 3 points for 4+ times/year

**6. Staff members involved in this initiative** – A greater allocation of staff by the corporate bidder shows that a strategic commitment is more meaningful to the company—allocated staff time also helps to support success of the strategic commitment.

- a. 1 point for staff time of 10 hours monthly
- b. 2 points for staff time of 40 hours monthly
- c. 3 points for staff time of 100 hours monthly

**7. Investment Target** – A greater dollar investment into businesses in New Jersey (with no existing common ownership or control by the corporate bidder) indicates a more practical commitment to support innovation in New Jersey, regardless of the form of investment (grants, equity, loans).

- a. 1 point for <\$50,000
- b. 2 points for \$50,000-\$125,000
- c. 3 points for \$125,000+

**8. Marketing Self-Valuation**– A greater attributable spend toward marketing New Jersey’s innovation ecosystem indicates corporate buy-in to the program. The marketing self-valuation should be expressed in the application with rationale as to the assigned value.

- a. 1 point for <\$10,000
- b. 2 points for \$10-\$20,000
- c. 3 points for \$20,000+

**9. Strategic Commitment Ratio** –The strategic commitment ratio can be calculated by dividing the strategic commitment value (\$ cost of the strategic commitment) by the purchase offer. A greater ratio indicates higher strategic buy-in and significant value toward the innovation economy. (e.g., if a strategic commitment is worth \$1M and a purchase offer is for \$4M, \$1M/\$4M is 0.25)

- a. 1 point for <0.1
- b. 2 points for 0.1-0.3
- c. 3 points for 0.3+

**10. An additional point is achievable for those that have never previously been approved for auction participation.** The objective is to support those new to the program and expand participation over time.