

Cannabis Equity Grant Program-Joint Ventures product

Notice of Funding Availability

The New Jersey Economic Development Authority (“NJEDA” or “Authority”) will begin accepting applications for the Cannabis Equity Grant Program-Joint Ventures product at **9:00 a.m. EST on April 20, 2023**. The application can be accessed at <https://www.njeda.com/cannabis>. Applications will be accepted on a first come, first reviewed basis during a 180-day period starting on April 20, 2023, or until grant funding is exhausted. \$6,000,000 has been allocated for the Cannabis Equity Grant Program - Joint Ventures product. Grant awards of \$250,000 will be made to support cannabis entrepreneurship in New Jersey.

Purpose

The Cannabis Equity Grant Program-Joint Ventures Grant (“Joint Ventures Grant”) product has an award pool of \$6,000,000 and will provide grant awards of \$250,000 to eligible entities for start-up expenses and operational costs related directly to cannabis businesses that qualify under the grant’s eligibility criteria.

Overview

On July 19, 2019, the New Jersey Cannabis Regulatory Commission (“NJ CRC”) was formed to establish and grow a responsible, regulated medicinal cannabis industry. On February 22, 2021, Governor Phil Murphy signed the “New Jersey Cannabis Regulatory, Enforcement, Assistance, and Marketplace Modernization Act” (“CREAMM Act”), which legalizes personal use cannabis for certain adults, subject to regulation by the Cannabis Regulatory Commission and removes marijuana as a State Schedule I drug, into law as P.L. 2021, c. 16. In June 2022, the Governor signed legislation to allow the Authority to award financial incentives for the purpose of providing financial and technical assistance to a prospective or licensed cannabis business that qualifies as a small business under the statute. See P.L. 2022, c. 48. The legislation requires either that (1) a portion of program funds made available be reserved for businesses operating within an Impact Zone, as defined in the CREAMM Act or (2) the program include funds from the Social Equity Excise Fee and such funding be limited to businesses operating within an Impact Zone. As none of the current program funding is from the Social Equity Excise Fee, staff proposes to ensure that a minimum of 5% of all available funds will be reserved for grantees whose project location is in an Impact Zone.

In June 2021, the Governor signed into law P.L. 2021, c.115, which provided a \$25 million supplemental SFY2021 appropriation to the Authority to establish the Startup Business and Nonprofit Assistance Program (“Chapter 115”). Chapter 115 authorized the Authority to provide grants to support the creation and development of new businesses and nonprofit organizations following the COVID-19 pandemic. The legislation requires the Authority to: (1) establish eligibility criteria for the program, provided that grants shall be made available to eligible new businesses and nonprofit organizations located in all areas of the State; (2) provide for rolling application periods and appropriate application submission deadlines; (3) designate limitations on the maximum award of grants, which limitations shall be sufficiently high so as to meaningfully support the creation and development of new businesses and nonprofit organizations; (4) designate permitted uses of grant financing, which uses shall be reasonably flexible to accommodate unanticipated startup expenses; and (5) establish criteria for the approval of program applicants consistent with Chapter 115. Additionally, Chapter 115 requires the Authority to “prioritize new businesses and nonprofit organizations that physically occupy commercial properties, including retail storefronts, that have become vacant or under-utilized during the COVID-19 pandemic.”

The Joint Ventures Grant product targets businesses that are farther along in the licensing process and have carrying costs and capital issues associated with opening their cannabis business. These applicants must have secured site control over their property and municipal approvals to operate and open a physical location within a New Jersey municipality. An award pool of \$6,000,000 will be distributed to all applicants that meet or exceed the grant eligibility requirements until funds are exhausted. Grantees will be required to prove they have a conditional or annual license, have obtained site control over their real estate, and have obtained all municipal approvals to open a cannabis business in their New Jersey municipality. 40% of slots will be reserved for social equity applicants. Grantees will be eligible for a grant award of \$250,000. The grant will be disbursed incrementally based on the grantee’s ability to meet certain milestones. In total, two disbursements will be available to the grantee.

- 1) An initial disbursement of \$100,000 will be distributed upon grant approval and:
 - a. Verification that the grant awardee has a NJ CRC issued conditional or annual license.
 - b. Demonstrates site control over the property they will use to start their cannabis business.
 - c. Obtained municipal approvals to operate and open a physical location within a New Jersey municipality; and
 - d. Provide receipts proving the entity has spent \$100,000 on eligible expenses or a spending plan or budget showing projected spending of at least \$100,000 in eligible expenses.
- 2) The final disbursement of \$150,000 will be made upon the grantee obtaining a NJ CRC issued annual license. Grantees must provide evidence that they have spent the previous disbursement on eligible expenses in order to be eligible for the final disbursement.

Eligibility

Grant eligibility is limited to entities who can demonstrate following:

- 1) Entity holds a NJ CRC conditional or annual license, in any class, for recreational use. Alternative Treatment Centers certified to operate in adult personal-use market are not eligible for this grant.
- 2) In accordance with Chapter 115, the entity has 50 or fewer full time employees at the time of application, as evidenced through a payroll documentation WR30 or other valid documentation.
 - a. "Full-time employee" means a person:
 - i. Who is employed by a business for consideration for at least 35 hours a week and whose wages are subject to withholding as provided in the New Jersey Gross Income Tax Act, N.J.S.A. 54A:1-1 et seq.; or
 - ii. Who is employed by a professional employer organization pursuant to an employee leasing agreement between the business and the professional employer organization for at least 35 hours a week and whose wages are subject to withholding as provided in the New Jersey Gross Income Tax Act, N.J.S.A. 54A:1-1 et seq.; or
 - iii. Who is a partner of a business who works for the partnership for at least 35 hours a week and whose distributive share of income, gain, loss, or deduction, or whose guaranteed payments, or any combination thereof, is subject to the payment of estimated taxes, as provided in the New Jersey Gross Income Tax Act, N.J.S.A. 54A:1-1 et seq.; or
 - iv. Who is a resident of another state and would be eligible under subsections a, b, or c above, but whose income is not subject to the New Jersey Gross Income Tax Act, N.J.S.A. 54A:1-1 et seq., due to a reciprocity agreement with the other state.
 - b. "Full-time employee" shall not include any person who works for the business as an independent contractor or on a consulting basis.
- 3) Entity is in good standing with the NJ CRC, Division of Taxation as evidenced by a valid tax clearance certificate, the Department of Environmental Protection, and the Department of Labor and Workforce Development, at the time of application.
- 4) In accordance with Chapter 115, entity has documents of incorporation (or other formation documents) showing the entity commenced operations after the issuance of Executive Order No. 103 of 2020 (March 9, 2020).
- 5) Owner or owners of 51% or more of the entity have established:

- One non-home-based retail, personal services, or manufacturing businesses in any US state or territory; or
 - Has two (2) or more years of experience as an owner, manager, executive or supervisor of a retail, agricultural, personal services, or manufacturing business.
- 6) Owner or owners of 51% or more of the entity have enrolled and completed one of the following:
- A professional cannabis education course (course or courses in cannabis business, cannabis law, cannabis operations, cannabis plant science/plant cultivation or economics of cannabis) offered by an accredited higher education institution, state or local government, or private provider with at least two years operations and a minimum of 200 program graduates verifiable by the institution, enrolled and completed a small business entrepreneurship training course; or
 - Completed six college credits in business, management, finance, economics, accounting, agricultural sciences, logistics/supply chain management or marketing: or
 - Has three (3) or more years of as an owner, manager, executive or supervisor of a retail, agricultural, personal services such as intellectual or technical or manual services that require advanced knowledge, skills and/or training to deliver a service to an individual or business, or manufacturing business.
- 7) Entity has secured municipal approval. Municipal approval is defined as the following:
- a. Resolution adopted by the municipality’s governing body or, where a municipality has no governing body, a written letter of support from the municipality’s executive; and
 - b. All land use/planning/zoning approvals required from the municipality.
- 8) Entity has secured site control, proven by documentation showing control by the applying entity of real property in a New Jersey municipality to be used for the operation of a licensed New Jersey recreational cannabis facility as listed in the application.
- a. Documentation demonstrating site control may include but is not limited to property deeds, leases, tax records, mortgages, and executed bills of sale and Binding Letters of Intent (“BLOI”) . BLOIs may be submitted as proof of site control with the entity’s approval for an NJ CRC annual recreational license. Only annual licensees are eligible to present BLOIs. Upon grant approval, the entity will have a time period of 30 calendar days to execute their lease to maintain their grant eligibility. Extensions will not be granted.

Eligible Uses

The grant is designed to support start-up expenses and operational costs for cannabis businesses

during early-stage operation. Eligible uses may include but are not limited to:

- Rental expenses – evidenced by a fully executed lease. Thirty-six lease payments may be covered after date that conditional license has been awarded.
- Payroll and Independent Contractor Payments as evidenced by a payroll report, WR30, or equivalent payroll documentation and payment documentation for 1099 contractors.
- Regulatory Compliance expenses such as those (1) expenses related to all professional and advisory services required to document, analyze, complete and file a New Jersey Cannabis Regulatory Commission application and (2) expenses related to all professional and advisory services required to comply with any and all regulations, rules, controls, statutes and any other requirements related to the legal operation of a NJ cannabis licensee.
- Legal expenses associated with the business
- Employee training
- Professional Services – including but not limited to accounting, human resources, business planning, transportation, security, marketing, website creation, lab services and any other outside services that may be needed to operate cannabis business or obtain any license or authorization to operate from the NJ CRC.
- Utilities and overhead fees
- Commercial mortgage payments
- Business supplies
- Business equipment under \$2,000

Funds may not be used for:

- Controlled inventory
- Construction
- Equipment and installation costing greater than \$2,000
- Purchase of land
- Demolition of an existing structure
- Rolling stock

All uses and documentation are subject to NJEDA review and approval. All receipts and/or invoices submitted must be dated after March 9, 2020.

Grant Amounts

The “Joint Ventures Grant” product will award grants in the amount of \$250,000 per grantee. There is a limit of one grant award per EIN. 40% of the award pool is reserved for businesses that have obtained a NJ CRC social equity designation, which is defined as business that have more than 50 percent of the ownership interest of the license applicant or license holder owned by people who have lived in an [Economically Disadvantaged Area](#) of the state or who have convictions for cannabis-related offenses (expunged or not). 5% of award pool is reserved for entities with project locations in an Impact Zone.

Application Process

Applications will be accepted on a rolling basis or until funds are exhausted. Applications will be evaluated on a first come-first evaluated basis. Application award decisions are based on non-

discretionary criteria.

Application will include questions and required documentation related to the entity's ownership including names, ownership share, place and length of residency, owners' resumes, management team's resumes, planned place of operation, site address, lot and block numbers, and other information staff may deem necessary to evaluate the application.

Required Application Information

Applicants will also be required to include, but are not limited to, the following documents:

- New Jersey Certificate of Incorporation or other formation document
- New Jersey Tax Clearance Certificate
- NJ CRC issued recreational conditional or annual cannabis license, as specified in the eligibility criteria
- New Jersey WR-30 or equivalent document filed within 180 days of application
- Documentation evidencing site control
- Documentation evidencing municipal approvals
- Completed Legal Questionnaire to begin EDA legal reviews in accordance with Executive Order 34 (Byrne) and the Authority's Disqualification/Debarment Regulations (N.J.A.C. 19:30-2.1, et seq.) to ensure that applicants demonstrate and maintain the highest standards of responsibility and moral integrity.

For the purposes of the Cannabis Grant Program only, EDA staff has received authority to:

- decide not to disqualify, debar, or suspend applicants and affiliates convicted of marijuana- and hashish-related offenses that meet the criteria for a "social equity business" as defined in the Cannabis Regulatory Commission's rules (specifically N.J.A.C. 17:30-6.6 and as administered by CRC, provided the applicant does not have other disqualifying convictions or judgments); and
 - limit the timeframe for investigation into criminal matters, to those where the date of conviction, satisfactory completion of probation or parole, or release from incarceration, whichever is later, occurred five (5) years prior to the date of application, in accordance with N.J.A.C. 17:30-7.12. This modification to the delegated authority approved by the Board on June 8, 2022, will be consistent with NJ CRC's timeframe for disqualifying convictions (as stated in N.J.A.C. 17:30-7.12(d)).
- Application fee or fee waiver request upon finalization of completeness and eligibility

staff review

Applicants will also be required to show proof of the following:

- In accordance with Chapter 115, the entity must have documents of incorporation (or other formation documents) showing the entity commenced operations after the issuance of Executive Order No. 103 of 2020 (March 9, 2020).
- Owner or owners of 51% or more of the entity must have:
 - established at least one non-home-based retail, personal services, or manufacturing businesses in any US state or territory; or
 - two (2) or more years of experience as an owner, manager, executive or supervisor of a retail, agricultural, personal services, or manufacturing business
- Owner or owners of 51% or more of the entity have enrolled and completed one of the following:
 - A professional cannabis education course (course or courses in cannabis business, cannabis law, cannabis operations, cannabis plant science/plant cultivation or economics of cannabis) offered by an:
 - accredited higher education institution, or
 - state or local government, or
 - A private provider with at least two years of operations and a minimum of 200 program graduates verifiable by the institution, or
 - Enrolled or completed a small business entrepreneurship training course, or
 - Completed six college credits in business, management, finance, economics, accounting, agricultural sciences, logistics/supply chain management or marketing, **OR**
 - Have three (3) or more years of as an owner, manager, executive or supervisor of a retail, agricultural, personal services, or manufacturing business

All applications will be reviewed for completeness in the order that they are received by the Authority. At the sole discretion of the Authority, staff may ask for clarification of the information included on the application including, but not limited to, responses, documentation, and attachments at any time prior to the grant award. Applications will be accepted on a rolling basis and proceed based on their completeness.

Fees

A \$1000 nonrefundable application fee is required to complete the application. Fees will not be accepted until the application has been reviewed for completeness and eligibility by program

staff and senior management. Applicants who do not meet program eligibility and completeness standards will be advised it is likely that the application will be declined. Applicants will be notified they are able to submit regardless of staff advisory.

Additional Information

Comprehensive information about the Cannabis Equity Grant program is available at <https://www.njeda.gov/cannabis>