



New Jersey Economic Development Authority
Construction Inflation Fund - Pilot Grant Program
Notice of Funding Availability

The New Jersey Economic Development Authority (“NJEDA” or “Authority”) will begin accepting applications for the **Construction Inflation Fund** (“Fund”) Pilot Grant Program on August 17, 2023 at 10:00am EST. Applications must be submitted by October 19, 2023 at 5:00pm. \$10 million is available through a competitive application process to eligible small businesses for real estate development projects that have experienced increased construction costs and project funding gaps resulting from the COVID-19 pandemic. Following the closure of the application period, applications will be evaluated for completeness and eligibility and then scored by a committee of NJEDA staff. The highest scoring applications will be presented to the NJEDA Board for approval.

The application can be accessed online at: [Construction Inflation Fund - NJEDA](#).

Purpose

The Fund is established to provide funding to eligible applicants for real estate development projects that have experienced increased construction costs and project funding gaps resulting from the COVID-19 pandemic. Eligible real estate projects include commercial/office, manufacturing, and mixed-use projects which are sized to have at least \$5 million of total project costs.

Overview

The American Rescue Plan (ARP), which was signed into law by President Joe Biden on March 11, 2021, is a \$1.9 trillion economic stimulus bill designed to rebuild and restart the American economy in the wake of the Coronavirus (COVID-19) public health emergency by investing in families, communities, and small businesses. Through the Coronavirus State and Local Fiscal Recovery Funds (SLFRF), the ARP delivered \$350 billion to state, local, and tribal governments to support their response to, and recovery from COVID-19.

In June 2022 the Murphy Administration and the New Jersey Legislature made \$10 million of Coronavirus State Fiscal Recovery Funds (CSFRF) available to NJEDA through the State Fiscal Year 2023 Appropriation Act (“Act”) for “Gap Financing - Real Estate Projects Financing.” Accordingly, to mitigate the economic impact of the COVID-19 pandemic the Fund is established as a pilot program which will provide gap financing and assist real estate development projects that have increased construction costs and project funding gaps resulting from the COVID-19 pandemic. As the New Jersey economy continues to rebound in the wake of COVID-19, catalytic investment is essential for supporting local economies and promoting strong, resilient, and equitable economic recoveries.

In accordance with U.S. Treasury’s Final Rule, the Fund is established under Eligibility Category 6 (EC 6). Under federal guidelines, all program funding must be obligated by December 31, 2024, and must be expended by December 31, 2026, therefore project readiness is a key

funding consideration and evidence of all other funding sources must be provided with the project application.

Funding

The approved purpose of the Construction Inflation Fund Pilot Grant Program's SLFRF funds is for Revenue Replacement (Category 6) in accordance with U.S. Treasury's Final Rule.

The Fund is established as a \$10 million competitive grant program to mitigate the negative economic impacts of the COVID-19 pandemic. The Fund will provide a minimum grant of \$500,000 and a maximum grant of \$5,000,000 per approved project. Grant funding cannot exceed 20% of total project costs.

Grant funding will be provided based on demonstrated pandemic related cost increase and funding gap including review of construction contract wage requirements. Grant funding amounts will be determined following cost reasonableness and a Duplication of Benefits review.

A maximum of one grant will be awarded per real estate developer regardless of having different special purpose entities. NJEDA staff will review for common management or construction responsibilities between applicants.

Eligibility

Eligible applicants are small businesses which are undertaking an eligible real estate project in New Jersey that experienced a COVID-19 related funding gap.

As defined in the CSFRF final rules (31 CFR 35.3), a small business is a business concern or other organization that:

1. Has no more than 500 employees or, if applicable, the size standard in number of employees established by the Administrator of the Small Business Administration for the industry in which the business concern or organization operates, and
2. Is a small business concern as defined in section 3 of the Small Business Act (15 U.S.C. 632)

Eligible projects for the Fund are limited to the following types of real estate projects (substantial rehabilitation and/or new construction):

- Commercial (including office)
- Manufacturing
- Mixed-use developments; any residential portion must comply with the 20% reservation for low- and moderate-income households required by N.J.S.A. 52:27D-329.9(b)

Additional project eligibility requirements for the Fund include:

- Projects consisting of 100% warehouse or 100% retail are **ineligible** for funding; however, warehouse space may be included as an ancillary project use in direct support of the project's eligible primary use;

- Projects must be sized to have at least \$5 million of total project costs;
- Developer must agree to 50% developer fee deferral;
- All projects shall be subject to prevailing wage law and compliance with other labor standards requirements;
- Projects that have started construction prior to application may include expenses as eligible covered costs only if either New Jersey state prevailing wage or federal Davis-Bacon wage requirements were incorporated into the construction contract prior to construction start, or the project has been paying either prevailing wage or Davis-Bacon wage rates as applicable.

Additional applicant requirements:

- Must be in substantial good standing with the New Jersey Department of Labor and Workforce Development and the NJ Department of Environmental Protection at the time of application to be eligible. A current tax clearance certificate must be provided prior to approval to demonstrate the applicant is in substantial good standing with the NJ Division of Taxation, unless the applicant is not required to register with the Division of Taxation.
- Applicants will be reviewed against the Federal System for Award Management to ensure the entity is not debarred.

Please see “Additional Information” section for discussion of State and Federal statutory prohibitions that NJEDA is subject to (i.e. Russia/Belarus, cannabis related activities, and State Legislator / Officer/employees or their partners) that may impact affiliates.

Eligible Uses

Under the Construction Inflation Fund, funding can only be used for the approved real estate development project costs based on application, NJEDA review, and funding grant agreement. Grants will be used for prospective real estate development project hard and soft costs, where no more than 20% of a grant can be used to support project development soft costs.

Funding cannot be used for payment of developer fees.

Application Submission and Review Process (including Scoring)

Applications submitted after the application deadline of October 19, 2023 will not be accepted or reviewed.

To apply, an applicant must register or log into the online application portal, complete all required application questions fully, and upload all required PDF document attachments including the following:

- Applicant’s organizational documentation confirming eligibility as small business;
- Experience and capacity of the applicant and development team that demonstrates implementation of projects of a similar size and scope;
- Project overview and description;

- Narrative describing COVID-19 impact and pandemic related cost increases;
- Project budgets (Sources & Uses line-item detail), pro forma/cashflow projections, and evidence of financing;
- Construction contract and related documents such as project cost breakdown comparisons, and evidence of efforts to reduce costs, such as value engineering efforts;
- Narrative and documentation of local review and approvals/permits;
- Project development timeline.

After the close of the application period, NJEDA staff will review all applications for completeness. At the sole discretion of the Authority, NJEDA staff may ask for any necessary clarifications to the application, including but not limited to responses, documentation, and attachments. Applicants will be given 10 business days to respond to cure any deficiencies. If at the end of the cure period the applicant is non-responsive, the application will not be advancing to be scored and will be deemed withdrawn.

Applications deemed complete will be reviewed and scored by the evaluation scoring committee that will be comprised of NJEDA staff. Applications will be scored on a scale of 0 - 104 points, with award recommendations limited to applications that meet or exceed the minimum score requirement of 65 points.

As outlined in the Construction Inflation Fund Program specifications, scoring factors and points will include:

- Project proposal (community and economic growth impact and benefits of the proposed project) *(up to 25 pts)*
- Project Financial Feasibility and Cost Effectiveness *(up to 15 pts)*
- Readiness to proceed *(up to 35 pts)*
- Experience & capacity of applicant/development team *(up to 20 pts)*
- Efforts to reduce costs *(up to 5 pts)*
- Bonus points for ** *(up to 4 pts)*
 - *** location within low- or moderate-income community or qualified census tract (per SLFRF rules); participation by NJ certified Women, Minority, Veteran Business Enterprises (MWVBE)*

Applications will be recommended to the Board for award approval starting with the highest scored application until all program funding is awarded. If all program funds are not awarded during the initial application period, then applications will be reopened on a rolling basis and grants will be awarded on a first come, first served basis to eligible applicants that meet the minimum score of 65 points.

All eligible applications will proceed to the Board for approvals, and all applications which have not been declined due to non-discretionary reasons will also proceed to the Board.

Grant Funding Disbursements

Once a project is approved for funding, NJEDA will enter into a grant agreement with the applicant detailing the project to be funded, eligible project costs, the amount of grant funding, and all financial programmatic requirements. The grant agreement will also include reporting, compliance, and other requirements per the US Treasury's Compliance and Reporting Guidance for ARP SLFRF funding awards. Applicants will be responsible for assuring the compliance of the project with all terms and conditions of the application, the Fund program, and federal ARP SLFRF funding requirements.

The Authority will disburse grants only to the applicant. The grant funds will be disbursed either incrementally as eligible project expenses are incurred and prorated with other funding sources with the NJEDA's standard construction retainage withheld until project completion or grant funds may be disbursed in coordination with the other lender's disbursement process.

Funding disbursement requests must be evidenced by documentation supporting that the expenses were incurred, work has been performed in accordance with prevailing wage and labor standards compliance requirements, and work was done consistent with project approval and eligible uses of program funding.

Final payment of grant funds will be made upon NJEDA's inspection of completed project and receipt of either temporary certificate of occupancy or certificate of occupancy as determined by the NJEDA.

Fees

A fee of \$1,000 is due at time of application submission.

Additional Information

Comprehensive information about the Construction Inflation Fund is available at [Construction Inflation Fund - NJEDA](#)

Questions concerning this Notice of Funding Availability should be submitted to realestateinfo@njeda.com.

The NJEDA is subject to State and Federal statutes including but not limited to the following which may impact affiliates: N.J.S.A. 52:32-60.1, et seq., which prevents the New Jersey government entities from certain dealings with businesses on the Treasury list of those engaged in prohibited activities in Belarus or Russia; N.J.S.A. 24:6I-49 which provides that the following are not eligible for most State or local economic incentives (a) a person or entity issued a license to operate as a cannabis cultivator, manufacturer, wholesaler, distributor, retailer, or delivery service, or that employs a certified personal use cannabis handler to perform work for or on behalf of a cannabis establishment, distributor, or delivery service; and (b) a property owner, developer, or operator of a project to be used, in whole or in part, by or to benefit a cannabis cultivator, manufacturer, wholesaler, distributor, retailer, or delivery service, or to employ a certified personal use cannabis handler to perform work for or on behalf of a cannabis establishment, distributor, or delivery service; and N.J.S.A. 52:13D-12, et seq., which prohibits a member of the Legislature or a State officer or employee or their partners or a

corporation in which they owns or controls more than 1% of the stock to undertake or execute any contract, agreement, sale, or purchase of \$25.00 or more, made, entered into, awarded or granted by any State agency, with certain limited exceptions.