



MEMORANDUM

TO: Members of the Authority

FROM: Tim Sullivan
Chief Executive Officer

DATE: December 14, 2023

SUBJECT: Atlantic City Revitalization Grant Program

Summary

The Members are asked to approve:

1. Creation of the Atlantic City Revitalization Grant Program (the “Program”), a \$19,650,000 million pilot grant program funded from the \$30 million appropriated for “Atlantic City Initiatives” in the Fiscal Year 2024 Appropriations Act (P.L. 2023, c.74) from American Rescue Plan (“ARP”) Coronavirus State and Local Fiscal Recovery Funds (“SLFRF”) to provide grants that support up to 50% of the costs for capital projects located within Atlantic City.
2. Delegation to the Chief Executive Officer (“CEO”) of the New Jersey Economic Development Authority (“Authority”) to enter into a Memorandum of Understanding (“MOU”) with the New Jersey Department of Community Affairs (“DCA”) to accept and use \$19,650,000 of the \$30 million in the SLFRF funds and deposit it into the Economic Recovery Fund (“ERF”) for the Atlantic City Revitalization Grant Program (“the Program”), and agree to comply with federal requirements for the use of those funds. This request includes the utilization of 5% (\$982,500) in addition to the \$19,650,000 to support the Authority’s administrative costs associated with operating the Program.

Background

The 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 SLFRF, the ARP delivers \$350 billion to state, local, and tribal governments to support their response to, and recovery from, COVID-19.

While the pandemic impacted millions of American households and businesses, the most severe impacts disproportionately fell on low income and underserved communities, like Atlantic City, where pre-existing disparities accelerated the impact of the pandemic, further delaying a full economic recovery.

Atlantic City recognizes the imperative need for a program that can provide assistance and supplementation to these capital initiatives, aiming to bolster and uplift the community. Atlantic City continues to grapple with persistent economic challenges, including high unemployment rates, limited access to essential amenities such as quality food options, a shortage of class A office spaces, and an inability to access State incentives available to other municipalities.

For example, as per data from the 2019 to 2021 American Community Survey, the poverty rate for all Atlantic City households increased by 3.5%¹. The Atlantic City expressway, a major vein of commuter and tourism traffic, saw its largest drop in volume in April 2020 at a 50.4% decline. Currently, the Atlantic City expressway is still down 9.8% since 2019's July peak, negatively affecting public and private revenues². Relatedly, Atlantic City's unemployment rate remains higher than the State average, at nearly 5.7%,³ and Atlantic County residents continue to struggle for necessities, with 15.1% of all persons and 24% of children under the age of 18 facing food insecurity as of 2020, notably the highest in the State⁴. These statistics further establish the need for revitalization initiatives within Atlantic City, specifically those that address small business support efforts, clean and safe efforts (which include such efforts like addressing the homeless situation and/or ensuring public streets are clean), food insecurity efforts, downtown vitality efforts, and/or job and office space creation.

Utilizing the funding provided through the SLFRF, \$30 million has been appropriated in the Fiscal Year 2024 Appropriations Act to support the revitalization of Atlantic City, which had been outlined in Governor Murphy's Fiscal Year 2024 Budget in Brief⁵. Of that allocation, \$19,650,000 will be used to make grants (each, a "Grant") to ensure long-term growth and opportunity for Atlantic City by supporting eligible projects that reinvigorate the local economy and revitalize local neighborhoods.

As the New Jersey economy continues to rebound in the wake of COVID-19, catalytic investments into distressed cities remains essential for jumpstarting local economies and promoting strong, resilient, and equitable economic recovery efforts to advance place-based economic development initiatives. The Program furthers the Administration's efforts to build a stronger and fairer New

¹[American Community Survey](#) – Atlantic City Poverty Rates

²South Jersey Traffic Authority

³BLS Local Area Unemployment Statistics – Atlantic City Metro

⁴[New Jersey State Health Assessment Data Complete Health Indicator Report of Food Insecurity 2020](#)

⁵[Governor Murphy's Fiscal Year 2024 Budget in Brief](#)

Jersey economy by making new, impactful, and strategic investments in historic hubs like Atlantic City and its neighborhoods.

Program Details

This Program will facilitate Atlantic City’s effective utilization of allocated funds for community-driven capital projects. The Program is a pilot grant program that will utilize \$19,650,000 of ARP funding which will be deposited into ERF. ERF will authorize a grant as listed under N.J.S.A 34:1B-7.13(a)(12) for:

“a fund to provide grants or competition prizes, either directly or through a not-for-profit entity, that is consistent with economic development priorities as defined by the authority's board, where funds have been specifically allocated to the economic recovery fund for this purpose, including but not limited to an appropriation or transfer from another government entity.”

Governor Murphy’s economic plan, “The State of Innovation: Building a Stronger and Fairer Economy in New Jersey,” identifies several economic development priorities, including “investing in communities to build world-class cities, towns, and infrastructure statewide.” The Atlantic City Revitalization Grant Program will address this priority as this grant will help support more capital projects throughout Atlantic City and will be focused on ensuring that communities are directly supported by ensuring the project addresses the negative impact of COVID-19 and contributes to Atlantic City’s revitalization. These capital projects must directly support Atlantic City neighborhoods and communities and include either public infrastructure improvements that support the completion of the project, capital construction projects that renovate or restore a vacant or partially vacant (at time of application and up to approval) building, or new construction projects that aim to increase the downtown vitality, public space utilization, foot traffic, and overall economic prosperity in Atlantic City.

The goal of this Program is to proactively address the negative economic impacts of the pandemic by investing in projects that demonstrate an ability to cultivate the environment and neighborhoods necessary to attract and retain a local workforce, enable business creation and tourism, enhance downtown vitality through small business support efforts, support clean and safe initiatives, address food insecurity issues, and buttress social impact supports for the community at large. Administered by the Authority, this Program will support real estate development, specifically capital projects (each, a “Project”) in the form of Grants, to support rehabilitation or new construction, as well as other development costs associated with a maximum award of \$10 million in grant funding to one Project. This will then meet the requirement of “Investing in Communities” by providing funding to activate underutilized properties for community focused investments and to activate projects that will catalyze new business sectors in NJ, support communities, and improve the business community within Atlantic City. This grant will improve investment in communities by working to activate underutilized, distressed, or vacant land for projects in order to promote equitable economic growth and community wealth building in Atlantic City.

Eligible Applicants

For-profit or non-profit entities responsible for overseeing a real estate development project and coordinating the activities related to the project, including, but not limited to, project design, project financing, and permitting and local approvals, are eligible to apply (each, an “Applicant” or “Developer Entity”). A real estate holding company or other special purpose entity that exists solely to own property or a real estate project is not eligible. Any city, State, or county entity and any state

colleges or universities are not eligible to apply for any support from the Program.

Additional requirements:

Applicant must be in substantial good standing with the New Jersey Department of Labor and Workforce Development, New Jersey Department of Environmental Protection, and NJEDA prior to approval.

A current tax clearance certificate prior to approval to demonstrate the applicant is in substantial good standing with the New Jersey Division of Taxation, unless the applicant is not required to register with the Division of Taxation.

Applicants (per EIN) cannot have more than 100 full time jobs at time of application as per their last WR30 filed or any other documentation necessary to determine eligibility.

Eligible Projects and Restrictions

- New construction for a commercial end use that addresses a community need listed in the “Local impact considerations” described below (100% residential is not eligible but mixed-used construction is eligible; must have at least 20% of the total square footage of the building dedicated to a commercial use).
- Renovation or restoration of a vacant or partially vacant building in need of repair (if the project consists of vacant space or partially vacant it would have to be at time of application and up to approval).
- Addresses a “Local impact consideration” as identified below and within Atlantic City.
- Projects may include public infrastructure improvements that are necessary to complement or complete the Project.
- All Project costs (soft and hard construction costs – no operating costs) can be included and may include predevelopment projects costs associated to the Project.
- The developer fee cannot exceed 8% of total Project costs.
- All Projects must be fully completed by the end of calendar year 2026 (as per US Treasury deadlines). Grants will be subject to federal Duplication of Benefits requirements.
- A cost reasonableness analysis will be completed prior to any Project being approved.
- Contingencies of total Project costs cannot exceed 10% on hard Project costs and 5% on soft Project costs. The Grant amount shall not increase after approval due to contingencies.
- Any awardee of a Real Estate Grant under the NJEDA Activation Revitalization Transformation (ART) Program established by the Authority is not eligible to apply for this Program.
- Projects that have started construction are not eligible. Construction, including demolition and remediation, cannot start until approval.

Project Eligibility Considerations (necessary for federal guidelines)

Since the Program is funded through federal resources that were meant to mitigate the negative impacts of COVID-19, applicants must demonstrate how the Project will benefit the community. All Projects will need to address and demonstrate how they meet the following requirements at time of application:

- COVID Impact: Applicants must certify that the Project is responsive to the negative

public health and/or economic impacts of the COVID-19 pandemic and complies with all the ARP program requirements.

- **Capacity:** The applicant must certify they have experience implementing at least three similar scope and size projects (similar budget size and scope) and provide documentation except if the applicant is selecting to support a “Small Business Efforts” or “Food Insecurity Efforts” box as their local impact consideration at time of application, in which case the experience requirement is waived.
- **Long-term impacts:** Applicants must certify how the project will have a positive long-term impact in the community it will be located in and the overall benefit to Atlantic City. If the property is owned by the applicant, they must agree to a 5-year deed restriction so that the project use cannot change after the later of their last disbursement or project closeout. If the property is leased, then the landlord must sign off on a certification to agree to the deed restriction.
- **Financial Viability:** Applicant must certify the project will be financially viable and self-sustaining after construction. The applicant will certify they are able to operate and maintain site control for the necessary time period. Also, that the applicant will meet US Treasury project completion timeline requirements.
- **Project completion:** Applicant must certify they are aware and agree that the construction project can be completed by 12/31/26 (as per US Treasury) or they may be held liable for the recapture of the grant funds they drawdown or have received.
- **Local impact considerations:** All Projects must address at least one of the following community initiatives to be eligible to apply (applicant will check all that apply):
 - Small Business Support Efforts: Businesses that are engaged in the following are not eligible for funding: the conduct or purveyance of "adult" (i.e., pornographic, lewd, prurient, obscene or otherwise similarly disreputable) activities, services, products or materials (including nude or semi-nude performances or the sale of sexual aids or devices); any auction or bankruptcy or fire or "lost-our-lease" or "going-out-of-business" or similar sale; sales by transient merchants, Christmas tree sales or other outdoor storage; cannabis related businesses; casinos; or any activity constituting a nuisance.
 - Clean and Safe Efforts
 - Food Insecurity Efforts
 - Downtown Vitality Efforts (all projects must be located from Sunset Avenue, Fairmount Avenue, Baltic Avenue to the boardwalk throughout Atlantic City).
 - Job and Office Space Creation
- **U.S. Treasury reporting:** Applicants must certify that they have the ability to provide the U.S. Department of the Treasury with relevant reporting for all Project expenditures exceeding \$1 million if necessary; specifically, all applications shall provide a narrative on how the Project will address the impacts of COVID-19 in Atlantic City, and why this capital expenditure is the most appropriate to address the economic harms caused by COVID.

Rolling Applications

Applications will be accepted on a rolling basis. Applications that are complete will proceed to an approval on a “first in, first out basis” using the date and time that the Authority receives a completed application. Applicants that demonstrate proof that the remaining amount of construction funding is secured at time of application will be approved before other completed applications that are still pending review. If the applicant hasn’t provided documentation to show they have fully secured the

remaining funding, the applicant can proceed to an approval but won't be able to execute their grant agreement until they provide this documentation. Secured means the applicant has provided an executed grant agreement, committed and executed loan agreements, or bank/financial institution statement to verify funds are available. Awardees will only have 6 months from approval to provide this documentation or forfeit their grant award.

Applications will be accepted until all funds are awarded. A fee of \$ 1,000 shall accompany every application for the Program at the time of application.

Application Process

The Program will be open to the public and applicants will be able to apply online. The Program will operate on a rolling grant application basis, where Grants are awarded on a "first-come, first-served" basis as completed applications are submitted. The application window will remain open until all funds are awarded/exhausted. The Program will be available for three years from the date applications are made available to the public, or until the total funding pool is exhausted (whichever is sooner).

As part of a Program application, the Authority will request information about the Project and how the community will benefit from the Project, which may include, but is not limited to:

- 1) Evidence of site control is required at time of application. Applicant (on its own or through a wholly owned special purpose entity) must provide a deed, executed purchase and sale agreement, executed lease (term must be 5 years beyond project completion), any/all of which must be fully signed by both seller and purchaser/applicant;
- 2) Project description and overview – description of overall Project, related costs, and the proposed future use, describing the property/building(s) current and future state (i.e., vacant or partially vacant, abandoned, code violations, recent uses, any local, state, or federal historic designation/eligibility, brownfield site, location within designated redevelopment area, etc.); current or planned development/redevelopment efforts in the area proximate to the Project location;
- 3) Local Impact Considerations – applicant must select which category the Project falls into from the following (have to check at least one):
 - Small Business Efforts
 - Clean and Safe Efforts
 - Food Insecurity Efforts
 - Downtown Vitality Efforts
 - Job and Office Space Creation

Applicants will also have to describe how they are addressing the need for this Project in the community and benefits of the Project to Atlantic City as a whole, anticipated economic and local impact to the community, development objectives, projected jobs creation, anticipated local impacts including possible projected increase in pedestrian traffic and public access;

4) COVID-19 impact - applicants must explain how the Project is addressing a negative impact to Atlantic City as a result of COVID-19;

5) Project location must be located within Atlantic City;

6) Narrative (and documents as may be applicable) describing the viability/feasibility of the proposed project including current zoning status, local supports, identification of possible complexities or challenges with proceeding, and must provide preliminary Project budget and funding plan, which shall include an Authority source and uses template;

- 7) Project development timeline/implementation schedule indicating readiness to proceed on the project and for the future supplemental use and must demonstrate that project will be completed prior to 12/31/26;
- 8) Applicant's formation and organizational documentation and/or authorizing documentation;
- 9) Narrative and documentation of previous project experience and capacity to undertake and complete the Project by providing a description and providing documentation of three similar projects (in scope and budget size) to the proposed Project; and
- 10) Detailed project budget provided by a NJ certified and registered contractor including all Project costs from pre-development and construction to close out and Certificate of Occupancy. All contracts of work, equipment installation must include NJ Prevailing Wage Rates.

Applicants will need to provide as much detail as possible regarding the Project steps involved, Project budget, community impact, and projected timeline for the Project from start to finish to show how the Grant will be used.

The Authority will perform a review of applications as they are received. At the sole discretion of the Authority, staff may ask for clarification of the information included in the application, including but not limited to narrative responses, supporting documentation, and attachments.

If the applicant hasn't provided documentation to fully show they have secured the remaining funding, they can proceed to an approval, but will not be able to execute their grant agreement until they provide this formal documentation is provided. Awardees will only have 6 months from approval to provide this documentation or forfeit their grant award.

All applications recommended for approval or declination will be sent to the Board for their approval.

Grant Awards and Agreement Terms

The awards will be based on the total requested project costs, amount of funding, and demonstrated readiness to proceed. All eligible applications that are complete and viable will proceed to an approval. Grants will be awarded until funds are fully exhausted. The Authority will award only one grant per applicant (one per EIN), and one award per Project location. If an applicant requests a grant for a Project which is eligible for the Program, but sufficient funding is not available to fund the full grant request, the Authority will inform the applicant of the amount of grant funds available. If the applicant wishes, nevertheless, to proceed for approval, the applicant will be required to demonstrate that they have the financial resources to fund the difference to fill the gap to ensure the submitted Project proposal is undertaken as described.

Grants will cover up to 50% of all Project costs with a minimum award request of \$1 million and the maximum award request of \$10 million and will be provided pursuant to a grant agreement to be entered into between the Authority and the applicant. Documentation to verify the remaining amount of Project funding will be required in order to execute the grant agreement if such documentation was not provided at time of application.

The grant agreement will ensure that the funding shall be subject to compliance with New Jersey prevailing wage law and other labor standards requirements, as well as other State requirements which may be applicable depending on Project details and funding amounts, including, possibly,

New Jersey Executive Order 215 of 1989 regarding the requirement for environmental assessments. To ensure the grant is used properly and the community receives the benefit, the grant agreement will also include a provision that the Authority will ensure the end project use is maintained for at least 5 years after the project is completed. If the applicant owns the property, NJEDA will require that the applicant file a 5-year deed restriction on the property utilizing the NJEDA's required restriction language. The deed restriction will be released by the Authority after 5 years from final Project closeout. If the applicant does not own the project their lease must demonstrate site control 5 years beyond project completion (including any renewal options). Awardees are also not able to sell all or a part of the Project, or terminate or reduce their lease, for up to 5 years after project closeout or the Authority may require repayment of all of the Grant that has been disbursed. If the project is not completed the awardee will have to repay the amount of funds disbursed to them.

Fees & Administrative Expenses

The standard \$1,000 application fee established in the Authority's fee rules will be charged for the Program. NJEDA administrative fees will be 5% (\$982,500) in addition to the \$19,650,000 of funding for Grants.

Disbursements

The Authority will disburse Grants after the execution of the grant agreement, and amounts will be based on applicant requested drawdowns calculated upon expected contract costs with documentation of uses (such as AIA documents, contract payments for services providing during construction, and paid invoices related to the Project). The Authority will allow for progressive drawdowns on the grant funds to support progressive project costs (\$150,000 minimum on all requests unless it's the final request) and such requests do not need to be pro-rata reimbursements based on actual costs incurred. Staff will perform random site visits and will hold the final disbursement of 10% of the total award until the Project closeout is completed. Staff may also request any other support or documentation as needed for drawdowns.

Prior to the last disbursement of 10% of the Grant, the awarded must submit a Project close out request, which will include, but not be limited to, all necessary information to evidence completion of the project and, when applicable, a Temporary Certificate of Occupancy. Once received, staff will perform a site visit to confirm and document the completed Project (including through photographs).

Diversity & Inclusion

Since all of Atlantic City consists of Opportunity Zone eligible census tract, this Program will further reinforce the State's commitment to ensure investments are being made into Opportunity Zone eligible tracts. This was an initiative that was a focus of Governor Murphy's Strong and Fairer Economic Plan. This program will focus specifically on opportunities to attract private investments which will support the diverse communities and neighborhoods of a Government Restricted Municipality as established by the Economic Recovery Act of 2020. This program will also provide a much-needed resource to diverse business owners and attract developers that have struggled with accessing traditional capital in a distressed city. Since resources can be limited in distressed municipalities there is a need to provide additional grant support to ensure the local community has the necessary resources to not only attract projects, but to ensure projects can be completed, and have long term success.

Recommendation

The Members are asked to approve:

1. Creation of the Atlantic City Revitalization Grant Program, a \$19,650,000 million pilot grant program funded from the Fiscal Year 2024 Appropriations Act identified as Atlantic City Initiatives to provide grants that support up to 50% of the costs for capital projects located within Atlantic City.
2. Delegation to the Chief Executive Officer (“CEO”) of the New Jersey Economic Development Authority (“Authority”) to enter into a Memorandum of Understanding (“MOU”) with the New Jersey Department of Community Affairs (“DCA”) to accept and use \$19,650,000 of the \$30 million in the SLFRF funds and deposit into ERF for the Atlantic City Revitalization Grant Program (“the Program”) and agree to comply with federal requirements for the use of those funds. This request includes the utilization of 5% (\$982,500) in addition to the \$19,650,000 to support the Authority’s administrative costs associated with operating the Program.

Tim Sullivan
Chief Executive Officer

Prepared by: Christina Fuentes

Attachments

Exhibit A – Product Specifications