

Food Desert Relief Supermarket Tax Credit Program

Frequently Asked Questions

Last Revised January 3, 2024

This Food Desert Relief Supermarket Tax Supermarket Tax Credit Program Frequently Asked Questions resource is intended to help anyone interested in the Food Desert Relief Supermarket Tax Credit program to better understand how the program works. This includes, but is not limited to potential applicants, state and local government officials, lenders, community members, community organizations, and other interested members of the public.

The questions and answers included here reflect the major features of the program, as well as questions the Food Desert Relief Supermarket Tax Credit Program staff commonly receive from the public.

The FAQ is an effort to help readers understand key information points from the rules and to help clarify terms in the rules that may be challenging to understand without a background in legislative, administrative, and regulatory language use.

The Food Desert Relief Supermarket Tax Credit program rules are available [here](#).

This FAQ resource will be updated over time as additional questions emerge. Your contributions will help make this resource more useful. Please send any additional questions or comments to Food Desert Relief Supermarket Tax Credit Program staff at FoodDesertRelief@njeda.com.

Consultation with program staff prior to beginning work on an application is advised.

PROGRAM BASICS

1. Where in NJ are projects eligible for Food Desert Relief Tax Credit program funding?

All projects must be within a NJEDA-designated Food Desert Community. The Food Desert Relief Act directed NJEDA to work with the Departments of Community Affairs and Agriculture to develop a methodology to designate up to 50 Food Desert Communities (FDCs) across New Jersey. NJEDA's Board approved the methodology and the 50 designated FDCs in February 2022. There is at least one FDC in each of New Jersey's 21 counties. FDCs were determined at the block-group level, so most are not contiguous with municipal boundaries, and many contain parts of multiple municipalities. There are also several municipalities that contain parts of multiple FDCs. A list of the 50 FDCs can be found [here](#) and an interactive map of the FDCs and their boundaries is available [here](#). More information on the designation methodology can be found [here](#).

2. How do I know if the project location is within a Food Desert Community?

First, consult the [Food Desert Communities Map](#). Type in the location's address to determine if it falls within the boundaries of a NJEDA-designated Food Desert Community.

3. What is the minimum size for a supermarket/grocery store for it to qualify for a Food Desert Relief Supermarket Tax Credit award?

A supermarket/grocery store project must be at least 16,000 square feet in size to qualify for the Food Desert Relief Supermarket Tax Credit program.

4. How are the first and second supermarkets defined?

Tax credits may be awarded to the developer and/or operator of up to two qualifying supermarkets in each designated FDC. The first and second supermarket are defined as the first and second new supermarket or grocery store within each food desert community to be *approved* for tax credits under the program by the Authority. The designation is not based on the timing of construction or opening of a supermarket. A supermarket or grocery store may lose the designation of first or second new supermarket or grocery store if the project does not meet milestones designated by the authority in a timely manner, as determined by the authority.

5. How is the opening date of the store determined, for the sake of calculating tax credit amounts?

Under the program rules, a supermarket is considered open for business to the public beginning on the date that the store (a) has received a temporary certificate of occupancy and all certifications from State and local health departments required to operate, (b) has met the requirements of the incentive award, and (c) starts operating on a full-time basis.

6. Can a store that sells alcoholic beverages qualify for the program?

The store can sell alcoholic beverages, but the space devoted to such products cannot be included in the calculation to determine the 16,000 sq. ft. minimum size for the purposes of the Food Desert Relief Supermarket Tax Credit program.

7. What is meant by “operating on a full time basis”?

Under the program rules, a store is considered to be operating on a full time basis if it is operating at least 60 hours per week every week of the year, absent unavoidable closures or other circumstances approved by the Authority.

8. How much tax credit support does the Food Desert Relief Supermarket Tax Credit program provide for any given project?

The Food Desert Relief Act allocates \$40 million to the program annually for six years, for a total of \$240 million, less the amount of tax credits that the Authority sells. Within that, the rules do not provide dollar value caps for eligible projects, but do specify various caps based on the project’s need and other factors:

- a) The **Supermarket Financing Gap Tax Credit** for developers is capped at the lower of either 40% of project costs or the project financing gap, for the first new supermarket in an FDC. For the second new supermarket in an FDC, the tax credit is capped at the lower of 20% of project costs or the project financing gap.
- b) The **Supermarket Initial Operating Cost Tax Credit** for supermarket operators is capped at the lower of either the initial operating shortfall or 100% of initial operating costs, for the first new supermarket in an FDC. For the second new supermarket in an FDC, the tax credit is capped at the lower of either the initial operating shortfall or 50 percent of initial operating costs.

9. Can a project receive Food Desert Relief Supermarket Tax Credit program tax credits if a project is already under construction?

For projects seeking only Supermarket Initial Operating Cost Tax Credits, yes. For projects seeking Supermarket Financing Gap Tax Credits, in most cases, no. Supermarket Financing Gap Tax Credit awards are intended to incentivize development of new supermarkets that would not otherwise

have been constructed. There are limited circumstances where NJEDA may determine that a project that has halted construction would not be completed without an award, and thus may be eligible for Supermarket Financing Gap Tax Credit program support.

10. Can fees paid to NJEDA for application to the Food Desert Relief Supermarket Tax Credit program be refunded to the applicant?

The Food Desert Relief Supermarket Tax Credit program rules clearly state that fees paid to NJEDA are non-refundable, with the exception of the approval fee. While the application fee is non-refundable regardless of whether the application is approved for a Food Desert Relief Supermarket Tax Credit award, the approval fee will be refunded if the tax credit is not approved.

11. What constitutes a “governing body” for the required letter of support?

Generally, this means a municipal council. However, because there are variations in governance structures within NJ municipalities, EDA uses general language about what is required in terms of a letter of support from a governing body.

12. What topics should a governing body letter of support address?

- a) The aim of the governing body letter of support is to assure NJEDA that any outstanding project issues still requiring local approval following a Food Desert Relief Supermarket Tax Credit award – for example, permits and plan approvals – would not jeopardize project schedule and milestones due to project’s inconsistency with local policy priorities.
- b) Governing body support letters should communicate that the project is consistent with local development goals and that the governing body supports the project and the award of Food Desert Relief Supermarket Tax Credit tax credits requested by the applicant.
- c) Governing body support letters should also acknowledge the Food Desert Relief Supermarket Tax Credit program requirement for projects to open for business to the public within three years of the NJEDA and the applicant executing an incentive award agreement for the Food Desert Relief Supermarket Tax Credit project.
- d) A governing body letter of support does not need to provide a detailed list of approvals still pending after NJEDA award of tax credits. However, such a list would be a welcome element of a governing body support letter if such details are available.

13. Who can I contact to learn more about the Food Desert Relief Supermarket Tax Credit program?

- a) For the Supermarket Initial Operating Cost Tax Credit:
 - i) Brian Todd, Senior Advisor – Food Desert Relief: brian.todd@njeda.gov
 - ii) Riley Edwards, Team Lead – Economic Security Projects: riley.edwards@njeda.gov
- b) For the Supermarket Financing Gap Tax Credit:
 - i) Liza Nolan, Director Real Estate Programs: liza.nolan@njeda.gov
 - ii) Giancarlo Di Lonardo, Senior Program Officer – Real Estate Programs: giancarlo.dilonardo@njeda.gov