



MEMORANDUM

TO: Members of the Authority

FROM: Tim Sullivan
Chief Executive Officer

DATE: December 19, 2024

SUBJECT: Atlantic City Revitalization Grant Program – Update and Reopening of Program

Summary

The Members are asked to approve:

1. Updating the Atlantic City Revitalization Grant Pilot Program and to reopen the application to utilize the remaining balance of \$2,949,413.29 from “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. Accept \$1 million in additional “Atlantic City Initiatives” funding (American Rescue Plan State Fiscal Recovery Funds appropriation) which will also be deposited in Economic Recovery Funds and used for the Atlantic City Revitalization Grant Program.
3. Delegation to the Chief Executive Officer (“CEO”) of the New Jersey Economic Development Authority (“Authority”) to approve individual applications in accordance with the terms set forth in this memo and the attached program specifications.
4. Delegation to the Chief Executive Officer (“CEO”) of the New Jersey Economic Development Authority (“Authority”) to update the Memorandum of Understanding (“MOU”) with the New Jersey Department of Community Affairs (“DCA”) to use the remaining funds from the initial Program approval and the additional Atlantic City Initiative funds for the Atlantic City Revitalization Grant Program (“the Program”), and agree to continue to comply with federal requirements for the use of those funds.

Background

The Atlantic City Revitalization Grant program was created on December 14, 2023, where the Board approved the \$19.65 million pilot program which made grants available to support the long-term growth and opportunity for Atlantic City by supporting eligible projects that reinvigorate the local economy and revitalize local neighborhoods (“Phase One”). This program sought to further the priorities set forth in Governor Murphy’s economic plan, “The State of Innovation: Building a Stronger and Fairer Economy in New Jersey,” identified several economic development priorities, including “investing in communities to build world-class cities, towns, and infrastructure statewide.” This grant supports 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. The 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 source of funds for this Program was the \$30 million “Atlantic City Initiatives” appropriation 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 date, ten applications were received for Phase One. Six applications were approved, four were withdrawn, and one application was withdrawn after approval (Authentic City Partners). This withdrawal after approval has created additional funds to allow the sixth award, Showboat Properties, LLC, to be fully awarded their 50% of the project costs in addition to leaving a remaining amount to utilize. The balance of \$2,266,726.29 remaining from Phase One combined with the small balance of \$682,687 from the Activation, Revitalization, Transformation – Atlantic City Real Estate product leaves a total of \$2,949,413.29 left over to be utilized. Staff is now requesting to update the program with changes and to reopen the application window to effectively use this remaining balance.

An additional \$1 million has now been appropriated as part of the Fiscal Year 2025 SLFRF process for the “Atlantic City Initiatives.” Staff proposes using these additional funds for this Program. This will bring the total amount of \$3,949,413.29 to be used toward grant awards.

Program Updates

This relaunch of the Atlantic City Revitalization Program (“Program”) will continue to facilitate Atlantic City’s effective utilization of allocated funds for community-driven capital projects. 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 an award between \$250,000 and a maximum award of \$2.5 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 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

- Commercial project must address 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.
- No new construction projects and no sole acquisitions project are eligible. Renovation or restoration of a vacant or partially vacant building in need of repair is eligible (if the project consists of vacant space or partially vacant it would have to be at time of application and up to approval). Project must be located within Atlantic City. New construction was allowed in the previous version of this grant but due to the limited time left to expend Federal funds, it’s now not eligible.
- 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 project 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 that closed on their grant agreement for a Real Estate Grant under the NJEDA Activation Revitalization Transformation (ART) Program established by the Authority is not eligible to apply for this Program.
- Any previous entity awarded a grant under this program is not eligible.
- Projects that have started construction are not eligible. The project including construction, demolition, or remediation, cannot start until approval is issued.

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. Applicant must agree to a 5-year deed restriction which will be filed by NJEDA, so that the project use cannot change after the later of their last disbursement or project closeout.
- **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 prior to 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. To be eligible, the applicant must demonstrate proof that the remaining amount of construction funding needed is secured prior to approval. 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. This is to ensure that Federal timing requirements can be met.

Application Process

The Program will be reopened 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.

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 ownership or site control resulting in ownership is required at time of application. Applicant (on its own or through a wholly owned special purpose entity) must provide a deed, closing documents (HUD-1 or proof site was purchased), executed purchase and sale agreement, any/all of which must be fully signed by both seller and purchaser/applicant prior to the applicant’s application date (if haven’t closed then agreement must demonstrate applicant can close within 60 days of application date and will have to provide a deed prior to executing their grant agreement);
- 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.
- 11) Applicants must demonstrate proof they have fully secured their other 50% of funding prior to approval.

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 and advise applicants of any deficiencies. At the sole discretion of the Authority, staff may ask for cures and clarifications of the information included in the application, including but not limited to narrative responses, supporting documentation, and attachments.

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). 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 \$250,000 and the maximum award request of \$2.5 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 at time of application now in order to receive an approval and then execute the grant agreement.

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. Since the applicant owns the property, NJEDA will file a 5-year deed restriction on the property utilizing the NJEDA's required deed restriction language. The deed restriction will be released by the Authority after 5 years from final Project closeout. Awardees are also not able to sell all or a part of the Project or change the use 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

A \$1,000 application fee will be charged to all applicants at the time of application for the Program.

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 or unpaid invoices related to the Project). The Authority will allow for progressive drawdowns on the grant funds to support progressive project costs (a \$50,000 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 awardee 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 or any other support to demonstrate project completion of the project. 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. Updating the pilot Atlantic City Revitalization Grant Program and reopen the application to utilize the remaining balance of \$2,949,413.29 from "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.
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Tim Sullivan, CEO

Prepared by: Christina Fuentes

Attachments

Exhibit A – AC Revitalization Grant Program Memo and Product Specifications