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The New Jersey Economic Development Authority has identified two areas within the American Recovery and Reinvestment Act (ARRA) where we will be focusing our efforts, i.e. Expanded Use of Industrial Development Bonds to Assist Technology Companies; and, Increased Funding for New Markets Tax Credits.

Expanded Use of Industrial Development Bonds

- For many years, the EDA has been the conduit bond issuer for the federally authorized tax-exempt bond financing to manufacturers. In fact, over the last three years, we've closed over 50 deals with manufacturers to provide nearly \$180 million in bond financing. This activity supported the creation of 1,200 new jobs, and over \$260 million in total capital investment.
- Under the new federal stimulus act, the definition of manufacturing has been expanded. Before the Act went into effect, the definition was limited to any facility that is used in the manufacturing, creation, or production of tangible property. The new definition will include the manufacturing, creation, and production of intangible *property, such as patent, copyright, formula, process, design, pattern, knowhow, format or other similar item.*
- Now, Industrial Development Bonds (IDBs)/Small Issue Bonds issued by State and local governments, will be available as a financing resource to companies in the biotech and pharmaceutical industries.
- The ARRA also removes the restriction that not more than 25% of bonds may be used for non-core manufacturing facilities, so long as the facilities are located at the same site and treated as part of the manufacturing facility. As a result, manufacturers may now finance warehouses, distribution facilities and testing facilities, which were previously limited.
- With these changes, EDA is hopeful to see an increase in our bond financing activity over the next two years (Note: our volume cap is \$150 million)

The expanded provisions for issuance of IDBs/Small Issue Bonds will apply for bonds issued before January 1, 2011.

Increase in New Markets Tax Credits Funding

- Through our qualified community development entity (NJCDE), EDA was allocated \$125 million in 2004 under the federal New Markets Tax Credit Program. To date, EDA has deployed nearly the entire allocation to assist economic and community development projects in New Jersey, leveraging over \$628 million in total project costs, and the creation of an estimated 2,600 new jobs and 4,900 construction jobs.

- Prior to the passage of the federal stimulus act, \$3.5 billion was allocated in 2008 and 2009 for the New Markets Tax Credit Program. With passage of ARRA, an additional \$1.5 billion was added for the 2008 allocation round, and an additional \$1.5 billion for the 2009 allocation.
- In addition, tax credits for the 2009 allocation round will also be allowed against the alternative minimum tax (AMT). The NMTC provisions contained in the stimulus package not only expand NMTCs but improve the standing of the Credit in the investor market by providing AMT relief.
- EDA is in the process of applying for \$150 million under the program. The application will focus on the 9 municipalities identified in the Governor's Economic Growth Strategy (Atlantic City, Camden, East Orange, Elizabeth, Jersey City, New Brunswick, Newark, Paterson, Trenton), and other highly distressed communities throughout the state. It will incorporate smart growth principles by focusing on real estate development projects, including development around transit centers, urban grocery stores, urban parking facilities, green development and port-related development.
- The application due date is April 8, 2009. We anticipate a decision on our allocation amount in Oct. / Nov. 2009.

Update on InvestNJ and Main Street Business Assistance Program

- Governor Corzine's economic stimulus plan is a comprehensive strategy aimed at helping those most hard-hit by our national economic crisis; and, is designed to keep businesses in New Jersey and get people back to work.
- As part of the Governor's economic stimulus package to assist consumers and businesses during the national economic crisis, EDA is moving forward with two major initiatives – advanced by the Legislature - that will serve to ease the tightened credit market and provide new job creation incentives to business.

InvestNJ

Program Overview

- InvestNJ is a \$120 million program advanced by the Legislature. Through this new job creation program, EDA will provide a \$3,000 grant to NJ businesses that create a job and retain that position for one year, and will provide investment grants – up to 7% – to businesses for qualifying capital investments.
- The program provides up to \$50 million for the job creation grants and \$70 million for the capital investment grants. To date, the InvestNJ program has received 762 applications from companies which, if approved, would exhaust the \$120 million authorized by the State of New Jersey for job creation grants and capital investment grants.

- Companies that have applied thus far have reported that they plan to create over 21,000 new jobs. On the job creation portion of the program, there is a per company cap of \$500,000 (benefit would cap out after 166 jobs), and an overall cap of \$50 million.
- Therefore, when fully subscribed, the program has the potential of providing grants for the creation of 16,666 new jobs.
- Going forward, applicants to the program will be placed on a waiting list. Those applicants placed on the waiting list will be contacted by the EDA should their application become eligible due to withdrawal from the program by previous applicants.

Of the 762 total applications:

By County (percent of total applications)

Atlantic (2%); Bergen (12.6%); Burlington (3.5%); Camden (5.9%); Cape May County (.2%)
Cumberland (.7%); Essex (6.7%); Gloucester (2.6%); Hudson (4.6%); Hunterdon (.9%); Mercer (6.1%); Middlesex (6.7%); Monmouth (5.8%); Morris (6%); Ocean (4.4%); Passaic (12%);
Salem (.2%); Somerset (2.7%); Sussex (.8%); Union (10.6%); Warren (1.8%) ; Multiple
Counties (3.7%)

- Companies in all counties of New Jersey have applied for assistance under the InvestNJ program.
- Most activity in Bergen, Passaic, Union, Middlesex and Essex counties.

By Industry (percent of total applications)

Nonprofit (5.9%); Professional Services (12.6%); Healthcare (6.9%); Technology or Life
Sciences (10.7%); Service Provider (11.1%); Financial Services (3.5%); Manufacturing (11.3%);
Childcare and Education (2.6%); Retail (14.2%); Wholesale and Distribution (7%); Hospitality
(3%); Printing and Publishing (1.5%); Other (9.6%)

- Nearly 60-percent of companies taking advantage of the InvestNJ program come from the retail, professional services, manufacturing, service provider and tech or life sciences sectors, with retail representing the highest percentage of applicants at 14.2 -percent.

Details on Job Creation Grant

- Companies eligible to apply for the job creation grant must:
 - Operate continuously in NJ for at least 2 years prior to application;
 - Employ at least 5 full-time employees;
 - Add an eligible position in NJ after December 1, 2008 and before January 1, 2011, for a period of at least 12 consecutive months;
 - Experience a net increase in employment of eligible positions in NJ during the same 12 consecutive months;
- Amount of total benefit to each company is \$500,000, with total grants committed under the program totaling \$50 million.

- Eligible jobs do not include those already benefiting under the Business Employment Incentive Program, Business Retention Relocation Grant Program, and the Urban Transit Hub Tax Credit Program.

Details on Capital Investment Grant

Under the program, an investment grant will also be made available to businesses for qualifying capital investments. The grant will be 7% of the total capital investment (capped at \$1 million).

- Companies eligible to apply for investment grant must:
 - Operate continuously for at least two years prior to application;
 - Employ at least 5 full-time positions,
 - Make a capital investment of at least \$5,000 in NJ after the effective date of the legislation, December 9, 2008, and prior to January 1, 2011.
- Capital investment is defined as the direct use and operation of a business for:
 - Site preparation and construction, renovation, improvement, equipping of, or obtaining and installing fixtures and machinery, apparatus or equipment in, a newly constructed, renovated or improved building, structure or facility, or improvement to real property, and
 - Obtaining and installing fixtures and machinery, apparatus or equipment in a building, structure or facility.
- The sum of all grants for capital investment under the program will not exceed \$70 million. Of that amount, no more than \$20 million will be allocated for investments involving obtaining/installing fixtures and machinery, apparatus and equipment.

Main Street Assistance Program

- EDA has a long history of working with the banking community to provide assistance to small businesses throughout New Jersey. It was that strong partnership we called upon last fall when Governor Corzine directed members of his Administration to propose initiatives that would bring relief to companies impacted by the current credit crisis.
- State leaders, including those in Treasury and Department of Banking and Insurance, came together with EDA and the banking community to advance the idea of the Main Street Business Assistance Program. With the support and swift action of the Legislature and leadership of Governor Corzine, the State is now in a better position to provide businesses with the capital they need to maintain their success and weather this economic storm.
- The Main Street program provides EDA with increased capacity to lend, as well as the ability to provide guarantees on lines of credit - a new offering by the EDA in partnership with our Preferred Lenders.

- Preferred Lenders include: Bank of America, Capital One Bank, TD Bank, Cornerstone Bank, Columbia Bank, PNC Bank, Sovereign Bank, Sun National Bank, Peapack-Gladstone Bank, The Bank, Roma Bank and Susquehanna Bank, Citizens Bank.

Summary of Main Street Program/Activity to Date

- EDA will utilize a \$50 million fund provided via state appropriation to provide credit enhancement and loan participations.
- EDA has been supporting lending in New Jersey for decades through loan guarantees and participations, but in this current economy, the EDA is taking a new approach by working with its Preferred Lender banking partners to also provide guarantees on lines of credit.
- To date, EDA has received three Main Street applications. The first to be approved under the program is a specialty food market in Burlington County seeking a loan guarantee (up to \$211,000) on a \$1.54 million bank loan. Another of the applicants is a small manufacturing company in Cumberland County seeking a loan guarantee (up to \$150,000) on a \$300,000 bank loan. And, the third is a small graphics company interested in a \$250,000 line of credit guarantee for a \$1.2 million bank line of credit.
- The bankers we are working with have told us that more deals will be coming in soon. Many companies have calendar year-end financials, so the banks have not yet been able to review their customer financials to determine how they will proceed with renewals. It is our hope that we will see increased activity in March/April.
- Our banking partners to date have committed \$60 million in lending towards the Main Street program.

Main Street Financing Structure

Loan Guarantees:

- Up to \$2 million guarantee on a term loan for fixed assets; up to \$1.5 million guarantee on a term loan for working capital (*guarantee must be less than 50% of total transaction*)

Lines of Credit Guarantees:

- Up to \$250,000 guarantee on a line of credit (guarantee must be less than 50% of total transaction and is available *through EDA's Preferred Lenders only*)

Loan Participations:

- Up to \$1 million per total transaction for fixed assets; up to \$750,000 for working capital, with EDA loan participation not to exceed 25% of total transaction
- Fixed 5-percent interest rate
- Collateral subordinate to the bank
- The combination of loan participation, loan guarantee and line of credit guarantee cannot exceed \$2 million or 50% of total bank commitment