

July 3, 2024

**To: All Interested Capital Managers**

**Re: Notice of Investment Opportunity  
Amendment #1 – Responses to Questions.**

It is the sole responsibility of the Capital Manager to be knowledgeable of all additions, deletions, clarifications, and modifications to the Notice. All other instructions, terms, and conditions of the Notice, not modified herein, shall remain the same.

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#### **GENERAL QUESTIONS**

**1. Do we need any specific licenses or certifications to do business in New Jersey?**

No specific certifications or licenses are required for this fund.

**2. Is there a preference for CDFIs/MDIs to be among the recipients of capital while another organization serves as Fund Manager, or for a CDFI/MDI to also serve as the Fund Manager?**

There is not a preference, and proposals will be considered with CDFIs/MDIs mainly as deployers of capital as well as those from those seeking to manage the Fund.

#### **FUND DESIGN / STRUCTURE**

**3. Who will own the fund -the state or Fund Manager?**

State of New Jersey, Department of the Treasury (Treasury) will be the owner of the Fund.

**4. Is Treasury anticipating holding an ownership stake in the SPV?**

See the response to Question #3.

**5. Must the proposal specify the proposed fund's capital structure and processes (e.g. direct investment vs. loan guarantees vs. loan purchases) or can that be developed as part of the program design phase of the work?**

Capital structure and specific investment details are not finalized and will be developed in partnership with Treasury and the SIIF Advisory Group during the process of designing the Fund. Responses should include preliminary ideas on capital structures or key considerations.

**6. Will the Fund Manager have full discretion to structure the fund's capital structure, after consulting with the SIIF Advisory Group (including but not limited to how much of the fund capital is used to subsidize below market interest rates vs. being available for loan purchases or loan guarantees or other credit enhancements?)**

Yes. The Fund Manager will have discretion on design of the Fund including capital structure, asset allocation, product definition and underwriting, and Fund governance in consultation with Treasury. The SIIF Advisory Group will provide consultation to Treasury on relevant Fund agreement terms.

**7. Does the Fund Manager have full discretion to determine what percentage of loans will be purchased or how much of the capital to reserve to support loan guarantees?**

Please see response to Question #6.

- 8. If the Fund Manager does not have full discretion to structure the fund, what is the process for obtaining approval or adjusting fee and expense levels if the structure proposed by the Fund Manager after the design phase is not approved?**

Please see response to Question #6.

- 9. How long does Treasury want the fund to be in existence/What is the time frame for the fund to deploy the \$40M? What is the expected life of SIIF? In other words, does Treasury expect the Fund Manager to manage State funds in perpetuity?**

The goal of the SIIF is to sustain and grow indefinitely. The current expectation is that the Fund Manager will be engaged for 5 years initially with at least 2 opportunities to extend term for an additional 5 years thereafter. These terms would be negotiated between potential Fund Managers and Treasury during a design phase of the key Fund terms and would be subject to change if additional funding through the State legislature is awarded for additional uses.

- 10. Does Treasury have an indication of potential time horizon for SIIF? And/or what a potential successor fund might look like?**

See the response to Question #9.

- 11. I Bank investments usually have a long term. Can the credit enhancement burn off over a shorter timeline?**

Possibly, but such a credit allowance is not typical. Additional credit enhancement for credit stressed borrowers is set up as a function of Maximum Annual Debt Service (MADS) times a factor (1Xs, 2Xs, etc.) which, in turn, is dependent upon the I-Bank's evaluation of the risk of the underlying Borrower making its timely and full payments. Since I-Bank loans are structured to have level debt service payments over the term of the loan, the required credit enhancement does not decrease.

- 12. Define the performance period more explicitly, particularly with respect to the deployment of the initial \$20MM commitment and the raising of the 1:1 match. Is there an allowance for a ramp-up period at the front of the contract?**

Yes, there will be an expected ramp up period for both pipeline identification and capital raising. Respondents may provide their proposed or expected timelines to be considered as a part of the evaluation.

- 13. What if Treasury and the Fund Manager don't reach agreement on the contract within 90 days, and what assurance does the Fund Manager have that the state will expedite responses to contract questions to assure that it can be negotiated and executed in that time period?**

Treasury may extend the time needed to negotiate with the intended Fund Manager or it may terminate the negotiations and commence negotiation with an alternate Fund Manager.

- 14. Is there any estimate on how much time will be required from the State of New Jersey from the applicant on state-facing administrative responsibilities including meetings, reporting, and planning in the first year, and then in years following?**

Reporting expectations are summarized in the initial Notice. Any additional administrative responsibilities will be negotiated in the Fund agreement.

- 15. Who will represent the NJ Economic Development Authority (“NJEDA”), the New Jersey Housing and Mortgage Finance Agency (“NJHMFA”), and the I-Bank on the SIIF Advisory Group? Are there other representatives identified outside of those organizations / agencies at this time? In what cadence will this group convene? What will be the ongoing role of this body in liaising with the Fund Manager?**

The representatives of each entity will be determined at a later date and will be provided to the selected Fund Manager. The expected role of this group will primarily be to support upfront design and development of Fund structure. After initial Fund launch the Advisory Group will not have a formal cadence to meet with the Fund Manager and will likely mainly work through Treasury.

- 16. Will “kick out” rights be acceptable in the contract between the Fund Manager and Treasury?**

Please see response to Question #6.

### **CAPITALIZATION**

- 17. What's the form and terms of the \$20MM capital? Is it entirely grant capital, or does all or any of the commitment must be repaid (and based on what pricing, terms/conditions, etc.)?**

Final target returns on State investment will be defined between the Fund Manager and the State during the design portion of the Fund structure, but the State expects its capital to sit subordinate to private investment and focus on retention of capital in order to help attract private investment that may have higher return requirements.

- 18. Is the objective for SIIF to be designed as a revolving fund, with investment returns (net of Fund Manager fees) recycled back into SIIF?**

Yes. Net of management fees and returns paid to investors all State returns should be reinvested in the SIIF.

- 19. Please clarify the calculation of the 1:1 match assessment. Is that applied at the fund level, transaction level, or both?**

The fund should seek a 1:1 match of private investment to State money provided through the fund. Private investment can take the form of direct investment in the fund, co-investment in other vehicles, or direct catalyzed investment in projects, but the Fund Manager should be able to clearly demonstrate private capital provided to match State funds in reporting.

- 20. For infrastructure loans/investments, does the 8:1 leverage from the I-Bank count towards the Fund Managers matching requirement?**

No. The expectation is that funds to be leveraged will already include outside investment meeting the target capital match threshold.

- 21. Can you please confirm that the match can be provided through other loan funds, investment vehicles, and capital sources and does not need to be directly invested into the SPV?**

This is correct.

- 22. In what time frame is the 1:1 match expected to be raised by Fund Manager?**

Given the expectation that some of the privately raised capital could take the form of co-investment at a project level, there is not a set time frame for private capital raising, but there will need to be visibility to the target capital match by initial deployment of investment capital.

**23. Who drafts the contracts between the Fund and its grantors/lenders for the 1:1 private capital match?**

The Fund Manager will be expected to draft investment contracts with private investors.

**24. Is there an opportunity for a complementary grant program (from Treasury or philanthropy) that supports potential coalition building and systems change activities that go beyond the Fund to create more equitable community development investment systems?**

These opportunities should be considered and may be able to count for capital match purposes.

**25. Are all or part of the funds supplied by the state “federal funds” that would require the Fund Manager to comply with federal regulations (CFR) and /or be subject to single audit requirements? Does the pool of funds carry federal restrictions (e.g., Build America, Buy America Act)? If so, please state the requirements.**

Funds come directly from State budget allocation and are not tied to any federal programs.

**26. Some of the use cases, in particular Early Childhood Education lending, require below market interest rates (3% max) in order for financing to be feasible. What kind of return does the State expect to generate on its capital?**

Please see response to Question #17.

**27. Is there a cap on fees and expenses vs. dollars deployed for loans or credit enhancements for permitted projects? What are the maximum fees that can be charged (upfront set-up fees and asset management fees) on the \$20M from the Treasury? Independently raised private capital?**

There is not a set cap on fees. Each respondent’s proposal should reflect their expected required level of fees and expenses to successfully execute the Fund, including proposed fees on private capital raised. Proposals should be specific on fees to be taken from the initial allocation as well as on private capital raised will leverage remaining funds. The final fee structure will be negotiated as part of the Fund agreement.

**28. What is the total budget for set up fees for the Fund Manager?**

Please see the response to Question #27.

**29. What is the total annual budget for Fund Manager compensation, inclusive of ongoing asset management fees and procurement fees?**

Please see the response to Question #27.

#### **ALLOWABLE USE OF FUNDS**

**30. Does Treasury intend for the proposal to provide an anticipated allocation for the three investment areas, or will that be determined in consultation with Treasury during the design phase after selection?**

Respondents may provide proposed or anticipated asset allocations, but allocation should ultimately be driven by demand across various investment areas. The Fund Manager will have discretion over disbursement of funds.

**31. Will mezz debt be an eligible investment?**

Yes.

**32. Can equity investments be made if they are guaranteed by a Foundation?**

Yes.

**33. Does the Fund Manager have to design an investment strategy for all three of the proposed Fund's uses? If so, is Treasury amenable to partnerships and/or sub-manager arrangements to cover all fund uses?**

Potential Fund Managers should plan to implement investment across all three proposed Fund uses. Sub-managers are acceptable subject to identification and review by Treasury prior to work commencing.

**34. Pg. 8 of the Notice notes that the Treasury expects the "Fund Manager to support Treasury in determining a strategy to prioritize allocation of funding across programs." Please confirm if the Fund Manager can conduct a landscape analysis of the proposed borrower market across programs as part of the strategy support.**

Guidelines for asset allocation will be defined in the design phase, and a Respondent may propose any necessary research to identify needs as a part of their response.

**35. What involvement, if any, does Treasury have in the Fund Manager's deal approval process of a loan or guarantee?**

Fund Manager will have discretion over deal approval subject to the Fund agreement.

**36. Who's responsible for setting the program eligibility/ underwriting parameters for loans or guarantees being purchased under the Program? The Fund Manager, the CDFI/MDIs, or I-Bank, or a combination thereof?**

The Fund Manager has primary discretion but should be prepared to work with CDFI/MDIs and Treasury to confirm credit parameters that will be defined in Fund incorporation documents.

**37. Do funds deployed to lenders to buy down interest rates count as fees or as deployed funds?**

Such funds can count as deployed funds, assuming that direct applicability of funds deployed to approved uses can be proven.

**38. Is there a loan term that is required or specified or can it differ/be structured by the Fund Manager?**

Specific investment or loan term requirements have not been finalized. These will be defined in the design of key Fund terms between the Fund Manager and the State.

**39. Asset liability matching is critical for Fund management. Is there a max term for loans?**

Specific investment or loan term requirements have not been finalized. These will be defined in the design of key Fund terms between the Fund Manager and the State.

**40. Is there a maximum loan size per loan?**

Please see response to Question #6.

**41. What is the average size of early childhood loans Treasury expects SIIF to make (either directly or in the form of loan participations)?**

Please see response to Question #6.

**42. Are these Variable rate or Fixed rate loans or can that be determined by the Fund Manager?**

Please see response to Question #6.

**43. Can Treasury better define “below market-rate” to a specific range or percentage below a benchmark?**

Please see response to Question #6.

**44. Does Treasury have a view on loans having an interest-only period or is it up to the Fund Manager to determine that?**

Please see response to Question #6.

**45. Pg. 20 of the Notice notes Borrower Requirements that limit proposed borrowers by the amount of revenue generated (\$10 million or less) and by the number of employees (50 employees or less). Can an organization be eligible for a loan from the Fund if an organization employed more than 50 employees but generated less than \$10 million? Potential examples include ECE organizations with multiple ECE sites under management.**

Investment requirements found in Appendix D of the Notice are subject to further negotiation as part of the Fund design process.

**46. Larger organizations, particularly ECE organizations, operate multiple sites under a parent entity. Do the Borrower Requirements noted on pg. 20 apply at the parent entity level or the single site level?**

Please see the response to Question #45.

**47. Can SIIF capital be used as loan guaranty support for childcare loans?**

Yes. If opportunities with community partners arise in which these would be the most appropriate use of capital and fit the capital stack of a Fund they can be considered.

**48. To what extent were the investment requirements outlined in Appendix D informed by CDFIs and MDIs that serve New Jersey?**

To avoid potential conflicts of interest proposed investment requirements were informed by relevant State agencies. Final investment requirements may be subject to change through the design of the Fund.

#### **INVESTMENT PIPELINE**

**49. What types of water and transportation infrastructure projects does Treasury envision investing in?**

The I-Bank recommends the Fund Manager concentrate on redevelopment projects with water or transportation components located in communities which would otherwise not qualify for a conduit (i.e. pass-through) water or transportation bank loan from the I-Bank (e.g. communities with low or non-investment grade credit ratings).

**50. Can you please describe the current pipeline for infrastructure investments?**

A current list of the Water Bank and Transportation Bank project sponsors may be found in the I-Bank’s Project Priority Lists (PPL) for each financing program – which are submitted quarterly to the Legislature – on the I-Bank’s website at:

- Water Bank PPL: **Water Bank Legislative Reports –**  
<https://www.njib.gov/nj/Water+Bank+Program+Publications.26>
- Transportation Bank PPL: **Transportation Bank Legislative Reports –**  
<https://www.njib.gov/nj/Transportation+Bank+Program+Publications.27>

Note, the above PPL lists represent the entire universe of projects which have applied for financing and are under consideration and/or undergoing reviews. The specific projects from the lists, if any, that would best be served by these funds would be those projects which project sponsors would not otherwise qualify under the I-Bank Credit Policy.

**51. Please describe the role that the New Jersey Infrastructure Bank will play in sourcing water and transportation infrastructure investments.**

The I-Bank will work with the Fund Manager to review the list of potential water and or transportation infrastructure investments for likely fit. The I-Bank does not anticipate sourcing such investments; it expects this function to be the responsibility of the Fund Manager and private partners. The I-Bank will provide to the Fund Manager redevelopment projects that present themselves and do not otherwise qualify for current programs on a reactive basis.

**52. What is the current process for evaluating stressed project pro forma financials? How is the current process handled?**

The I-Bank requires pro-forma cash flow statements, both under base and stressed assumptions, from each infrastructure component of a conduit loan request of a redevelopment project. The legal structure of the loan repayment and prioritization of funds are also analyzed with the assistance of I-Bank's outside counsel to ensure the risk borne by the community guaranteeing the I-Bank loan is commensurate with the protections afforded that community in any redeveloper agreement. Given the uniqueness of each conduit project under consideration by the I-Bank, there is not a set formula for stressed scenarios. However, all such scenarios require a no-loss expected result for the community.

**53. Does the selected Fund Manager have to implement their own Technical Assistance or Training Programs for Affordable Housing Developers to participate in? Also, what criteria must an Affordable Housing Developer demonstrate to show prior education and experience with LIHTC projects?**

The State (NJHMFA and others) will help lead in sourcing projects and organizing technical assistance for the developers, pre-qualifying projects, and ultimately underwriting and providing the LIHTC project financing. The Fund Manager will be primarily responsible for underwriting predevelopment loans for projects the State determines to be pre-qualified.

**54. If an applicant already has robust TA programming, can the applicant also be a selected TA provider?**

This may be discussed as part of the Fund design process, but the expectation is that the State (NJHMFA and others) will lead in sourcing projects and organizing technical assistance for the developers.

**55. What is the current technical assistance offering(s)/landscape to support the program's target audience?**

The State (NJHMFA and others) will help lead in sourcing projects and organizing technical assistance for the developers, pre-qualifying projects, and ultimately underwriting and providing the LIHTC project financing. The Fund Manager will be primarily responsible for underwriting predevelopment loans for projects the State determines to be pre-qualified.

**56. What is the level of engagement (i.e., who are the staff members, and how much of their time will be devoted to this initiative) that the Fund Manager will receive from NJHMFA to source**

**opportunities and identify predevelopment education, technical assistance, and selection programs to partner with?**

The State (NJHMFA and others) will help lead in sourcing projects and organizing technical assistance for the developers, pre-qualifying projects, and ultimately underwriting and providing the LIHTC project financing. The Fund Manager will be primarily responsible for underwriting predevelopment loans for projects the State determines to be pre-qualified.

**57. What is the level of engagement (i.e., who are the staff members, and how much of their time will be devoted to this initiative) that the Fund Manager will receive from the Division of Early Childhood Education in the Department of Education to identify funding programs and technical assistance providers to partner with?**

The level of engagement will be commensurate with the needs of the Fund Manager and SIIF Fund.

**58. Are 4% LIHTC projects eligible for development loans?**

Yes. The purpose of the program is to help emerging developers progress through their first NJHMFA LIHTC project.

**59. Do all affordable housing projects need to be LIHTC transactions? If not, can the technical assistance be provided outside of NJHMFA?**

The purpose of the program is to help emerging developers progress through their first NJHMFA LIHTC project. The Fund Manager may suggest additional components to this program during the fund design phase.

**60. Can any of the \$20M be used to provide technical assistance? If not, how will technical assistance be funded?**

Technical assistance is expected to be funded by complementary funding from State or philanthropy or be provided by capital deployers themselves.

**61. Beyond what's described as allowable Use of Funds (on pg. 8 of the NOI), can any portion of the \$20MM be applied for TA/capacity-building purposes for fund borrowers?**

Please see response to Question #60.

**62. Please share a list of approved LIHTC credit consultants proposed developers must work with to obtain financing from the Fund.**

No such list exists, nor is that specifically required. The program will establish criteria as previously discussed, and the state entities involved may create or contract for a specific third party or parties to provide support.

**63. Who (which agency) currently handles certifications to support developers? Please explain the certification process/timeline?**

Per question #62, this is not relevant to scope.

**64. Are certification and technical assistance prerequisites to receiving funding under the program?**

Please see response to Question #6.

**65. Is there a minimum or maximum number of community partners that must be identified as originators?**

No. Originators will depend on identified pipeline and capacity among relevant community partners.



- 66. Who are the current CDFIs, MDIs, and other community partners that have been identified and intend to participate in the program? What is their lending capacity? Will national CDFIs, MDIs and other partners be able to participate as an Originator under the program?**

Several local CDFIs have been actively engaged in discussions around the development of the SIF design, but there have been no formal commitments around pipeline or participation. National/Regional partners will be able to participate as lenders

#### **REPORTING REQUIREMENTS AND COMPLIANCE**

- 67. Will impact reporting be required only to Treasury or to all program actors, such as the NJ Economic Development Authority (“NJEDA”), the New Jersey Housing and Mortgage Finance Agency (“NJHMFA”), and the I-Bank? (CRF)**

While said agencies will be involved in the upfront design of impact reporting, actual reports will only be required to be transmitted to Treasury.

- 68. Do we need a certified audit required from a CPA firm or will reviewed statements suffice?**

A certified audit from a CPA firm is expected.

- 69. What are the success criteria in the implementation of SIF?**

Obtaining private capital match and successfully deploying investment as outlined in the proposal are the most pressing criteria for success. Further criteria will be co-created by the Fund Manager and Treasury during the design period.