March 31, 2020

New Jersey Economic Development Authority Promulgates New Programs to Assist Businesses Impacted by COVID-19 Outbreak

On March 26, the New Jersey Economic Development Authority (NJEDA) board approved a package of new economic programs devised to combat the devastating impact of the COVID-19 pandemic on New Jersey businesses and workers. This alert provides a general summary of the programs. Further, the NJEDA has created an Emergency Assistance Eligibility Wizard to assist businesses in determining whether they qualify for any programs.

Small Business Emergency Assistance Grant Program: This program provides grants of up to $5,000 (with a minimum grant of $1,000) to small and medium sized enterprises (SMEs) and non-profit entities that have from one to 10 full time equivalent (FTE) employees to sustain operations, reduce layoffs, and support the workforce in the industries most adversely impacted by the COVID-10 containment measures. This program is geared towards, retail, accommodation and food services, arts and entertainment, repair shops, and personal services (like salons, photo stores and dry cleaners).

The business must show that it has been negatively impacted by the COVID-19 declared state of emergency (e.g., has been temporarily shut down, has been required to reduce hours, has had at least a 20 percent drop in revenue, has been materially impacted by having employees who cannot work due to the outbreak, or has a supply chain that has materially been disrupted and therefore slowed firm-level production) and that it has financial needs that cannot be overcome without the grant funds.

Grant values are calculated at $1,000 per FTE, as reported on the business's WR-30. Up to $3 million is set aside for businesses with five or fewer FTEs. Applications were expected to be accepted beginning the week of March 30.

Small Business Emergency Assistance Loan Program: This program is for small businesses and non-profits that have been in existence for at least one year and have less than $5 million in annual revenue and that have been negatively impacted, as described above, by the COVID-19 declared state of emergency. The program makes direct, low-cost financing available in the form of working capital loans of up to $100,000. The business must show a global debt service coverage ratio of at least 1.00 (as of December 31, 2019).

The loans made will have low cost and flexible terms such as 10-year terms with zero percent interest for the first five years, converting to the NJEDA's prevailing floor rate (capped at 3 percent) for the remaining five years of the term of the loan, and repayments deferred for 12 months. There are no fees associated with this loan for the first five years of the term, including no application fee. Applications were expected to be accepted beginning the week of March 30.

Community Development Finance Institution (CDFI) Emergency Loan Loss Reserve Fund: NJEDA is partnering with CDFIs to help deploy funds to underserved markets and populations. To that end, NJEDA is providing loan guarantees (first loss position) to CDFIs for working capital loans to microbusinesses directly impacted by COVID-19, with the goal of enabling CDFIs to withstand loan defaults due to the COVID-19 outbreak.

To be eligible for this program, a CDFI must comply with the following:

- The recipient of the CDFI's loan must have been ben adversely impacted by the emergency (e.g., closed, reduced hours, 20 percent reduction in revenue, 25 percent reduction in staff availability, material disruptions of its supply chain).
- The CDFI must be focused on the working capital needs of a micro or small business.

- Each loan is limited to $75,000.
- Interest rates on all loans must be lower than 3.75 percent.
- The loans must provide flexible loan structures (e.g., deferred payments, moratoriums or interest-only payments for up to six months).
- Loan terms cannot exceed five years.

CDFI Emergency Assistance Grant Program: This program provides grants of up to $250,000 to CDFIs to assist in two ways during the COVID-19 pandemic:

- Supports the scale-up of the origination, technical support and underwriting capacity of these CDFIs, including hiring staff; and
- Allows the CDFIs to buy down interest rates on any COVID-19-related emergency working capital loan, providing impacted businesses with lower costs and more flexible financing.

NJ Entrepreneur Support/Guarantee Program: This program is for businesses with annual revenue of less than $5 million, and it provides guarantees of up to 80 percent of working capital loans (not to exceed $200,000 per company) made by private sector investors to New Jersey-based entrepreneurial businesses in which the investor is already an equity holder. The program is designed to foster investment by encouraging private-sector investors to provide additional working capital loans to New Jersey businesses in eight sectors: (1) advanced manufacturing, (2) information/technology, (3) life sciences, (4) finance and insurance, (5) clean energy, (6) food and beverage, (7) advanced transportation, and (8) film and digital media. The investment guaranteed by this program must have been made after March 9, and this program is retroactive to that date.

Small Business Emergency Assistance Guarantee Program: This program makes available one-year first loss guarantees of permanent working capital loans and lines of credit originated by "Premier Lender" banks (as identified by the NJEDA) for the purpose of covering operating expenses for New Jersey small businesses with less than $5 million in annual revenue and non-profit entities impacted by the COVID-19 outbreak (such as reduced revenue, employee shortage or supply chain impact).

The program provides a 50 percent guarantee on working capital loans, not to exceed a total NJEDA exposure of $100,000.

Emergency Technical Assistance Program: This is a $150,000 program to support technical assistance to New Jersey-based companies applying for U.S. Small Business Administration (SBA) or state programs. Contracted organizations will provide businesses with in person and/or electronic application assistance including, but not limited to, preparing financial information, packaging application documentation, and completing and submitting the online or paper-based application. NJEDA advises that it will provide additional information on which organizations have been selected as approved technical assistance partners and how businesses can engage with them.

The NJEDA grant and loan programs all require a commitment from the business to use its best efforts not to furlough or lay off employees or its best efforts to re-hire as soon as possible workers who have been furloughed or laid off.

Please note this is just a general summary of the NJEDA programs, and additional requirements may apply.

For more Day Pitney alerts and articles related to the impact of COVID-19, as well as information from other reliable sources, please visit our COVID-19 Resource Center.

COVID-19 DISCLAIMER: As you are aware, as a result of the COVID-19 pandemic, things are changing quickly and the effect, enforceability and interpretation of laws may be affected by future events. The material set forth in this document is not an unequivocal statement of law, but instead represents our best interpretation of where things stand as of the date of first publication. We have not attempted to address the potential impacts of all local, state and federal orders that may have been issued in response to the COVID-19 pandemic.

Authors



Craig M. Gianetti
Partner

Parsippany, NJ | (973) 966-8053

cgianetti@daypitney.com



Katharine A. Coffey
Partner

Parsippany, NJ | (973) 966-8323

kcoffey@daypitney.com



Michael W. Kaufman
Partner

Stamford, CT | (203) 977-7421

New York, NY | (212) 297-2470

mkaufman@daypitney.com