

**Lakewood Urban Enterprise Zone Program
Urban Enterprise Zone Assistance Fund Project Proposal Application
Second Generation Funds**

☐ ELIGIBLE MUNICIPAL SERVICE

☒ PROJECT

NAME OF PROPOSAL: Financial Assistance Program (FAP) VIII

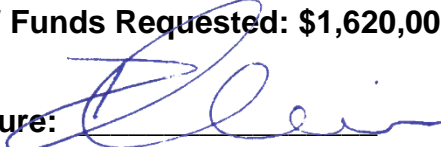
Municipality: Township of Lakewood

Date of LDC Meeting: February 1, 2022

Amount of Funds Requested: \$1,620,000.00

Project No.: TBD

Signature:



Title: Coordinator

Date: 1/25/22

David Klein

The Urban Enterprise Zone Assistance Fund is to be used for the purpose of assisting qualified municipalities in which enterprise zones are designated in undertaking public improvements and in upgrading eligible municipal services in designated enterprise zones.

The governing body of the *Township of Lakewood* designated in 1994 as a qualified municipality in the *County of Ocean* which an enterprise zone is designated, and created by the participating municipality for said zone have, by resolution jointly adopted after public hearing, proposed to undertake the following project which is a public improvement of the enterprise zone or will increase eligible municipal services in the enterprise zone. The monies therefore are now deposited in the local Enterprise Zone Assistance Fund and are administered by the Lakewood Development Corporation.

"Any individual, including an individual who is not directly employed by a municipality, with the authority to administer, allocate, or approve the use of Zone Assistance Funds is subject to the "Local Government Ethics Law" P.L. 1991, c.29 (C.40A:9-22.1 et. seq.)".

Commerce regulation 12A:2A-3.1 provides for the payment of prevailing wage in connection with certain construction contracts funded in whole or in part with zone assistance funds. Any zone assistance funds approved for use in accordance with this proposal will not be utilized in a manner that would violate said provision.

I. PROJECT DESCRIPTION

Financial Assistance Program (FAP) VIII

FAP VIII will further expand Lakewood's ability to assist its participating businesses. As of January 25, 2022, the Lakewood UEZ program supports 555 businesses that employ 9,564 full time and 2,057 part time employees. It is anticipated that as businesses locate

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or expand in Lakewood, they will utilize UEZ benefits as afforded to them to expand and to further assist them to offer employment opportunities to Lakewood residents.

The \$1,620,000 being requested to fund the following loan programs will be used to assist UEZ certified businesses seeking to establish or expand their companies, redevelop or otherwise improve their retail, commercial, professional services or industrial businesses. Funds may also be utilized used for working capital, purchase of inventory, supplies and machinery, purposes that further the goals and objectives of the Lakewood UEZ program.

Businesses applying for one of the following loan programs will be screened by one of the UEZ's staff and the finance committee made up of bankers, accountants and local business advocacy organizations. All documentation normally submitted to obtain a bank loan; business and personal tax returns, financial statements, business plans, project description and collateral (where required), etc., will be required. Approval and loan disbursement will be contingent on the business remaining UEZ certified and in tax compliance.

Based on the fact that a business' participation in a UEZ loan can provide a beneficial interim cash flow to the business because of the preferred interest rate applied to loans for qualified UEZ businesses, the Loan approval process is often very lengthy ~ from the point of receipt of application, performance of "due diligence", UEZ Finance Committee reviews, LDC Board of Trustees approvals to the actual closing of the loan and distribution of loan proceeds. Small businesses meeting the loan program criteria would benefit from funds pre-approved for use from Zone Assistance funding because the processing time from application to closing is less and usually occurs within time frames that would help a small business improve their cash flows to operate efficiently and grow. The record of LDC FAP Phases of Loan approvals and relatively small incidences of defaults associated therewith indicate that the established process for approvals is successful.

The following loan programs, their parameters and criteria fall under the banner of this Financial Assistance Project. The loan programs are:

1. UEZ Business Low-Cost Expansion Loan Level I

Goal: to encourage UEZ business expansion and to enable UEZ businesses to obtain cost effective loans for this purpose

Parameters:

- \$300,000.00 obligated for program (up to 15+ loans)
 - Up to \$20,000 per loan
 - Closing costs waived
 - Low or no interest rate
 - 5-year term
 - Start repayment in 12 months
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- Collateral: Real estate, equipment or accounts receivable with agreement to draft on business' accounts receivable bank account if necessary.
- If at any point after the first 12 months from the loan origination date, within the 5-year loan term, expansion leads to at least 1 new Lakewood resident FTEs (Full Time Employee) and FTE's stay employed for at least 12 months, 50% of the remaining loan balance will be forgiven from the date the threshold is met in the form of a grant. Employment verified via employee contract and W-2 form.

2. UEZ Business Low-Cost Expansion Loan Level II

Goal: to encourage UEZ business expansion and to enable UEZ businesses to obtain cost effective loans for this purpose

Parameters:

- \$500,000.00 obligated for program (up to 10+ loans)
- Up to \$50,000
- Closing costs waived
- Low or no interest rate
- 5-year term
- Start repayment in 12 months
- Collateral: Real estate
- If at any point after the first 12 months from the loan origination date, within the 5-year loan term, expansion leads to at least 2 new Lakewood resident FTEs (Full Time Employee) and FTE's stay employed for at least 24 months, 50% of the remaining loan balance will be forgiven from the date the threshold is met in the form of a grant. Employment verified via employee contract and W-2 form.

3. Small Business Technology Grant

Goal: to promote modernization of UEZ registered businesses by assisting them with needed funds for equipment, software, and training

Parameters:

- \$250,000 obligated for program (up to 50 grants)
 - Up to \$5,000 per grant
 - Funds may be used for electronic equipment, software, technical training
 - Business must meet the following criteria at application:
 - Under 10 employees
 - Gross sales under \$1,000,000 per year
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- Have at least one FTE that resides in the Lakewood UEZ zone
- Sign commitment to make 'best efforts' to hire an additional FTE that resides in the Lakewood UEZ zone with-in 3 years of receipt of grant
- If business hires 3 FTE's with-in 3 years of receipt of grant, business will be eligible for an additional \$3000 Technology Grant at the end of the 3-year period

4. Employee Retention Incentive Program

Goal: to promote a core mission of the UEZ program to create jobs and retain jobs where possible

Parameters:

- \$300,000.00 obligated for program (up to 150 credits)
- \$1500 in business tax credits per FTE after ee is employed for 6 months from date of hire
- Business must meet the following criteria at application:
 - Under 10 employees
 - Gross sales under \$1,000,000 per year
 - Have at least one FTE that resides in a the Lakewood UEZ zone
- Maximum credits per business: \$4500 (up to \$1500 X 3 ees) per 3-year period; this ensures a minimum of 50 business benefit from program per 3 years

5. Bank Fee Assistance Grant

Goal: assist UEZ registered businesses in their effort to improve their businesses by procuring a commercial loan from a reputable lender; Lakewood UEZ will assist in paying their loan associated closing costs

Parameters:

- \$250,000.00 obligated for program (up to 50 businesses)
 - Up to \$5,000 per business
 - Grant funds may be applied to:
 - Bank origination fee
 - Bank processing fee
 - Appraisal fee
 - Environmental report fee
 - Inspection fee
 - Title search fee
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- Recording fees
- Other associated commercial loan closing costs
- Business must meet the following criteria at application:
 - Under 10 employees
 - Gross sales under \$1,000,000 per year
 - Have at least one FTE that resides in the Lakewood UEZ zone
- Business may apply for grant one time with-in a 5-year period

Businesses granted loans using UEZ funds are required to be certified as a UEZ business and remain in good standing. Additional policy adopted by the LDC acknowledged the issue of program participation attrition and addressed the matter of a possible loss of UEZ certification by a business. According to UEZA policy, tax compliance is required in order for a business to remain in the UEZ program. Clearly stated, the approval and disbursement of Zone Assistance Fund proceeds is contingent upon the Borrower remaining a certified business and meeting and maintaining all outstanding tax obligations to the State of NJ. Further, all loans will be secured with real estate as collateral.

All funds returned to Second Generation Accounts are disclosed quarterly in the Lakewood Development Corporation's Second-Generation Report.

II. LEGISLATIVE AUTHORITY 52:27h-88.c (5)

☒ PROJECT

<input type="checkbox"/>	Purchasing, leasing, condemning, or otherwise acquiring of land or other property, or an interest therein, in the enterprise zone or as necessary for a right-of-way or other easement to or from the enterprise zone;
<input type="checkbox"/>	The relocating and moving of persons or businesses displaced by the acquisition of land or property;
<input type="checkbox"/>	The rehabilitation and redevelopment of land or property, including demolition, clearance, removal, relocation, renovation, alteration, construction, reconstruction, installation or repair of a land or a building, street, highway, alley, utility, service or other structure or improvement which will lead to increased economic activity within the zone;
<input type="checkbox"/>	The acquisition, construction, reconstruction, rehabilitation, or installation of public facilities and improvements, other than buildings and facilities for the general conduct of government and schools;
<input checked="" type="checkbox"/>	The establishment of revolving loan or grant programs for qualified businesses in the zone to encourage private investment and job creation, matching grant programs for the establishment or operation of pedestrian malls, special improvement districts and tax increment districts, or other appropriate entity;
<input checked="" type="checkbox"/>	The costs associated with a project (i.e. including the costs of an administrative appraisal, economic and environmental analyses, environmental remediation, engineering, planning, design, architectural, surveying or other professional or managerial services necessary to effectuate the project).

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<input type="checkbox"/>	Marketing, advertising and special event activities that will lead to increased economic activity or encourage private investment and job creation in the zone, but not including the expenditures therefore which are required to be reported pursuant to the New Jersey Campaign Contributions and Expenditures Reporting Act.
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III. Proposed Budget for Loans and Administrative Costs

UEZ Business Low-cost Expansion Loan Level 1	\$	300,000.00
UEZ Business Low-cost Expansion Loan Level 2	\$	500,000.00
Small Business Technology Grant	\$	250,000.00
Employee Retention Incentive Program	\$	300,000.00
Bank Fee Assistance Grant	\$	250,000.00
Lender's Liability Insurance	\$	20,000.00
Total	\$	1,620,000.00

IV. BIDDING PROCESS

☐ If approved, this proposal will be conducted in accordance with the Local Public Contracts Law, N.J.S.A. 40-A, et seq., and all other statutory requirements concerning the public bidding process. If a firm has been selected, identify how firm was chosen.

☒ Not Applicable

V. PROJECT TIMEFRAME

Estimated Start Date: **March 1, 2022**

Estimated Completion Date: **February 28, 2025**