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focused on Redevelopment and Land Use Issues

Summary of
Economic Redevelopment Growth Grant (ERGG) Program

Known as Tax Increment Financing or "TIF" in other states, the New Jersey ERGG program is a developer subsidy intended to close construction financing gaps on shovel-ready projects. The subsidy equals up to 30% of project costs and is paid to the developer over time (up to 20 years), drawing on up to 75% of the net new revenue generated by a project. Potential revenue streams to fund the ERGG award include sales taxes, utility taxes, hotel taxes, and business taxes.

Here's how the program works:

1. The developer must invest non-borrowed equity equal to at least 20% of the project cost.
2. All other public and private sources of funds must first be pursued to the fullest extent possible, including obtaining or trying to obtain a local property tax exemption.
3. If, after inserting the above funds into the construction pro-forma, and utilizing a modest rate of return (by zip code, usually 11-14 percent) and a realistic construction budget, there remains a project financing gap, the EDA may award the developer a subsidy of up to 30% of project costs.

The "Project" can be limited to a particular store or phase within a development, or can include the entire project. Project costs can include tenant improvements as well as developer/landlord work.

An ERGG award can be an even more powerful tool when "monetized" through bond financing, often in tandem with a local PILOT (Payment in Lieu of Taxes).

This is a summary of a complex law. You should consult an attorney for its particular application to your circumstances.

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