

A Path to Redevelopment Funding Sources in PA and NJ

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Special to the Legal, PLW

This summary provides information on accessing and understanding available federal and state funding programs for redevelopment projects in New Jersey and Pennsylvania. More detailed information on the programs mentioned below is available online from the administering agencies.

As the population in New Jersey — currently in excess of 8.6 million people — continues to grow rapidly and the state's housing market expands, developable land becomes increasingly scarce. In Pennsylvania, developers face the same problem, with a population exceeding 12.4 million and numerous government and citizens' groups demanding the preservation of open space and agricultural land, as well as the implementation of measures to prevent sprawl.

Since the early 1990s, redevelopment has been a profitable venture for those seeking to meet the increasing demand for housing in a manner that is encouraged and supported by both government and private citizens' groups openly opposed to development of virgin land.

Redevelopment is generally defined as the rebuilding of an urban area — usually a commercial district, but sometimes residential or industrial — typically involving government oversight and expenditure. Various redevelopment authorities define redevelopment as a process created to help local government eliminate "blight" from a designated area and achieve desired reconstruction and rehabilitation goals, including but not limited to redevelopment of residential, commercial, industrial and retail buildings.

As recorded in the U.S. Environmental Protection Agency guidelines, "Site evalua-

tion processes, testing, legal issues to resolve, and other factors can discourage private participation in activities to bring previously used properties back to productive use. Today, critical funding gaps are, in fact, the primary deterrent to site and facility reuse. The financing situation is especially gloomy for start-up firms or small companies with little collateral outside the business."

To address this disincentive and further encourage private participation in redevelopment projects, federal, state and local governments have created numerous funding and technical assistance programs. The stated purposes of these programs are to accomplish the following:

- Ensure a minimum return;
- Reduce the borrower's cost of financing;
- Offer terms or incentives to ease the borrower's financial situation;
- Offer assistance or information that provides investor and lender comfort; and
- Provide direct financing help.

Pennsylvania's traditional industries are mineral extraction and processing, agriculture, agribusiness and manufacturing. Today, new industries are expanding in Pennsylvania, including advanced manufacturing, communications equipment, wood fabrication, food processing, biotechnology, computer-aided printing, chemicals and pharmaceuticals, environmental technology and information technology. As these industries expand, so too does the need for new or improved industrial and commercial facilities. Along with the increasing number of residential units necessary to house the growing population, these new facilities can be cost-effectively constructed and prepared for productive use through the redevelopment process.

The traditional industries in New Jersey are agriculture, manufacturing, distribution



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and services. The expanding industries in New Jersey are international trade, biotechnology, health care, telecommunications, research and development, business services, travel and tourism. Redevelopment projects can satisfy the needs of these industries as well.

FEDERAL PROGRAMS

A number of state and federal agencies are charged with administering funding programs:

The EPA's Office of Brownfields Cleanup and Redevelopment, for example, administers assessment grants, cleanup grants, revolving loan fund grants, clean water state revolving loan funds, job training grants, targeted site assessments, the environmental enforcement education grant program and the environmental justice small grants program.

The U.S. Department of Agriculture's Forest Service administers the open space development and tree planting program and the USDA Urban Resources Partnership, while its Rural Development Administration is in charge of the Business and Industry Program, the Intermediary Re-lending Program, the Community Facilities Program, and the Water and Waste

Disposal Program.

The United States Department of Commerce's Economic Development Administration administers the Public Works and Development Facilities Program, the Economic Adjustment Program, the Planning Program for Economic Development Districts, Indian Tribes and Redevelopment Areas, and the Planning Program for States and Urban Areas.

Other federal agencies that offer technical, administrative and financial assistance include the following:

- The Departments of Commerce; Energy; Health and Human Services; the Interior; Justice; and Labor;
- National Oceanic and Atmospheric Administration;
- The U.S. Department of Defense (Army Corps of Engineers and Office of Economic Adjustment);
- The Department of Housing and Urban Development, which administers the Community Development Block Grant Program, Section 108 Loan Guarantee Program, Economic Development Initiative / Brownfields EDI programs, the HOME Program, Empowerment Zones and Enterprise Communities Initiative, and the Lead-based Paint Program;
- The National Park Service, which administers the RTCA Program and the Federal Lands to Parks Program; it also operates the Office of Surface Mining;
- The Department of Transportation, which administers the Urbanized Area Formula Grants, Non-Urbanized Area Formula Grants, Discretionary Capital Program, and the Metropolitan Planning Funds (Section 5303);
- The Department of Treasury — Tax Incentives: Brownfields Expensing Tax Incentive, Rehabilitation Tax Credits, Industrial Development Bonds, Low Income Housing Tax Credits, Community Development Financial Institution Fund, New Markets Tax Credits, and the Office of the Comptroller of the Currency-Community Development Division;
- The Federal Deposit Insurance Corporation (Community Affairs Program and Partnership Promotion and Support Services);
- The Federal Housing Finance Board, which administers the Community Investment Program, Housing Credit and Economic Development Regulations, Cash

Investment Advance Programs (CICA), Federal Home Loan Bank Standby Letters of Credit (LOC), and Affordable Housing Program (AHP). It also provides support for local financing; and

- The Small Business Administration, which administers the Loan Guarantee Program and Section 504 Certified Development Company (CDC) Program.

NEW JERSEY

Among the most significant agencies in New Jersey for developers is the New Jersey Redevelopment Authority. The NJRA is "a state redevelopment financing authority committed to revitalizing urban New Jersey." The NJRA is comprised of "urban experts," who "customize project financing to invest financial resources into redevelopment projects that enhance New Jersey's cities." The NJRA is a "comprehensive redevelopment agency, focused on providing both technical and financial assistance to neighborhood — based redevelopment projects in New Jersey's 69 eligible urban municipalities."

The New Jersey Economic Development Authority is also an excellent resource for information on New Jersey programs and provides financing and development assistance as well as technical support to redevelopers in New Jersey. This agency administers the Business Employment Incentive Grants program, the Fund for Community Economic Development (which guarantees up to \$500,000 to community development organizations, which in turn make loans to micro-enterprises), the New Jersey Seed Capital Program, the New Jersey Technology Funding Program, the Petroleum Underground Storage Tank Remediation, Upgrade and Closure Program, the Statewide Loan Pool for Business program, and the Downtown Beautification Program.

Among the most important redevelopment programs in New Jersey is the Brownfields Redevelopment Loan Program, offering up to \$750,000 for redevelopment projects. The Commerce and Economic Growth Commission administers this program. Another program of significance is the Smart Growth Predevelopment Funding program, offering up to \$1 million for non-contaminated site preparation costs.

All these programs, as well as other programs of significance, including without limitation the tax exempt bond financing for

manufacturing companies and technology business tax certificate transfer programs, are described at the NJEDA's Web site at <http://www.njeda.com/>.

PENNSYLVANIA

Pennsylvania has an equally long list of incentives for redevelopers, including, without limitation, the following:

- The Child Care Challenge Grant/non-profit, offering grants to nonprofit organizations seeking to improve access to child care in underserved areas;
- The Community Economic Development Loan Program, providing low-interest loans for projects in distressed communities;
- Enterprise Zone Tax Credits-Community Investment, providing tax credits for investments in Enterprise Zones;
- The Industrial Sites Reuse Program (ISRP), providing low-interest loan financing to perform environmental site assessment and remediation work at former industrial sites;
- The Infrastructure Development Program (IDP), providing low-interest loan financing for public and private infrastructure improvements;
- The Keystone Opportunity Zones (KOZ), providing state and local tax abatement to businesses, property owners and residents located in one of the 12 designated zones;
- The Local Economic Revitalization Tax Assistance Act (LERTA), allowing local governments to offer tax abatements on improvements to properties for up to 10 years;
- The New Communities / Enterprise Zone Program, which provides grants to financially disadvantaged communities for preparing and implementing business development strategies within municipal Enterprise Zones;
- The Opportunity Grant Program (OGP), providing grant funds to create or preserve jobs within the Commonwealth;
- The Pennsylvania Capital Access Program (PennCAP), which provides loan guarantees through participating banks to be used to support a variety of business purposes and development;
- The Pennsylvania Community Development Bank (PCD Bank), providing debt financing for Community Development Financial Institutions

(CDFIs);

- The Pennsylvania Economic Development Financing Authority (PEDFA), administering a tax-exempt bond program that provides tax-exempt and taxable bonds, both in pooled transactions and stand-alone transactions, to be used to finance land, building, equipment, working capital and refinancings;

- The Pennsylvania Industrial Development Authority (PIDA), providing low-interest loans through Industrial Development Corporations for land and building acquisition, construction and renovation, that result in the creation or retention of jobs;

- The Pennsylvania Infrastructure Investment Authority (PENNVEST), providing low-interest loans for design, engineering and construction of publicly and privately owned drinking water distribution and treatment facilities, storm water conveyance and wastewater treatment and collection systems;

- The Pennsylvania Minority Business

Development Authority (PMBDA), providing low-interest loan financing to businesses owned and operated by ethnic minorities;

- The Pennsylvania Neighborhood Assistance Program (NAP)-Community Investment, providing tax credit (corporate tax liability) for businesses that sponsor their own projects or contribute, either through cash or in-kind, to a nonprofit community organization for an approved program;

- The Pennsylvania Neighborhood Assistance Program/Comprehensive Service Program-Community Investment, providing tax credits (corporate tax liability) for businesses that sponsor their own projects or contribute, either through cash or in-kind, to a nonprofit community organization for an approved program;

- The Pollution Prevention Assistance Account (PPAA), providing assistance for small businesses that help implement pollution prevention and energy-efficiency projects, enabling these businesses to adopt or

install equipment or processes that reduce pollution or energy use;

- The Small Business Development Centers (SBDCs), providing technical assistance and consulting services to current and prospective entrepreneurs in areas ranging from business plan development and implementation to issue areas related to current business operations;

- The Small Business First (SBF) program, providing funding for small businesses, including low-interest loans for land and building acquisition and construction; machinery and equipment purchases and working capital; and

- The Underground Storage Tank Upgrade Loan Program (USTLP), providing low-interest loans to business owners of regulated underground storage tanks to meet federal USEPA upgrade requirements.

The identified programs have applications that are available from the administering agencies. A more comprehensive list of funding and technical assistance programs is available from the author. •