

Published Articles

The New Jersey Economic Recovery Act of 2020: An Overview of the New Jersey Ignite Program

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Greenbaum, Rowe, Smith & Davis LLP Client Alert

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The New Jersey Economic Recovery Act of 2020 (ERA), a seven-year, \$14 billion package of incentive programs intended to encourage New Jersey job growth, property development and redevelopment, community partnerships, and numerous other economic development initiatives, was signed into law by Governor Phil Murphy on January 7, 2021.

This Client Alert focuses on the New Jersey Ignite Program, approved under the ERA to provide start-up rent grants to early stage innovation economy businesses. It should be noted that this is a new legislative program that operates independently from the NJ Ignite pilot program approved by the New Jersey Economic Development Authority (EDA) in 2018.

Structure and Requirements

The EDA will structure the Ignite Program to provide a public-private partnership with landlords to issue start-up rent grants to EDA-certified collaborative workspaces to support the early months of these businesses.

“Early stage innovative economic businesses” are defined as having less than 10 employees and less than \$1 million in gross annual sales and must have been formed less than three years prior to application. These businesses must be located in New Jersey and must operate within a targeted industry, which includes advanced transportation and logistics, clean energy, life sciences, information technology, professional services, food innovation and other innovative industries that disrupt current technologies or business models.

In order to be certified as a collaborative workspace, the owner of the business facility must provide flexible workspaces and the facility must be designed to encourage community and collaboration within an inter-

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connected environment, in which multiple start-up businesses have access to shared workplace accommodations. The owner must show at least five unique tenants or member businesses over the past two years (or for newer businesses, must have at least three letters of intent from prospective tenants or member businesses). The owner/operator must also commit to hosting at least eight community events at the business facility each year, which can include meet-ups, speaker series and office hours for consultants or investors.

Grants

Under the program, the EDA will provide start-up rent grants to early stage tenants in collaborative workspaces. The EDA will determine and confirm the grant period in an agreement with the owner of the collaborative space. The EDA may also require the owner of the collaborative space to pay one month's rent for every two months of start-up rent grants to the tenant. The owner contributions and EDA grants will provide rent-free space to the start-up tenant or member business.

The EDA may provide rent grants for up to six months, with bonuses for additional months for collaborative workspaces located in a qualified Opportunity Zone, affiliated with a hospital system, open for less than 90 days, if the start-up tenant is a minority-owned or woman-owned business, or if the tenant represents the first presence of a foreign company in the United States.

The maximum start-up rent grant may not exceed \$25,000, and the owner will be subject to refund or disqualification if the tenant or collaborative workspace fails to comply with the requirements of the program or the grant agreement.

Next Steps

Although the Ignite program is one of the smaller components of the ERA, with the state appropriating \$250,000 to the program, it nonetheless provides important incentives to assist start-up businesses with free rent and to assist collaborative space owners in obtaining new tenants. While the program application is not yet available, there is helpful information regarding eligibility for the program and sample forms on the **EDA website**.

The EDA will be promulgating rules related to the implementation of the New Jersey Ignite Program. We will keep you updated on this and other developments related to programs enacted under the New Jersey Economic Recovery Act of 2020. Please contact the author of this Alert, **Steven Firkser** sfirkser@greenbaumlaw.com | 732.476.2388 with questions or to discuss your specific business circumstances. Mr. Firkser is a member of the firm's **Financial Incentives & Economic Development Practice Group**.

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