



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.

For more information, please contact:

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