

Historic Property Reinvestment Program Listening Session

December 2021



About the NJ Economic Recovery Act

Governor Phil Murphy signed the **New Jersey Economic Recovery Act of 2020 (ERA)** into law on January 7, 2021.

The ERA creates a package of **tax incentive, financing, and grant programs** that will build a stronger, fairer New Jersey economy.

The ERA is both a broad-based **recovery bill and reform bill** that will better position New Jersey to recover from economic crisis caused by the COVID-19 pandemic, while remaining true to the NJEDA's commitments to transparency and accountability.

Visit the NJEDA's website at www.njeda.com/economicrecoveryact to learn more about each of the programs within the ERA, or to provide general ERA feedback.

Opportunities for Engagement

The NJEDA is committed to transparency, equity, and faithful stewardship of taxpayer dollars, and welcomes constructive input from all New Jerseyans as we work through the process of implementing the programs under the ERA.

The NJEDA will be providing multiple opportunities for public input. Today's session is one way that the NJEDA is collecting informal program-specific feedback.

GENERAL ERA PROGRAM FEEDBACK

Provide general suggestions on one or more ERA programs prior to NJEDA releasing program-specific information.

You can use this website to provide thoughts on the ERA legislation and how NJEDA should implement the ERA programs.

INFORMAL PROGRAM-SPECIFIC FEEDBACK

Provide specific feedback on draft program regulations, before they are approved by NJEDA's Board.

NJEDA will post additional draft ERA program regulations on this website for public input as they are developed.

FORMAL REGULATORY FEEDBACK

Provide formal public feedback on the proposed regulations approved by our Board.

All ERA programs will have a formal APA 60-day public comment period once proposed rules are published.

Executive Order No. 63

Pursuant to Governor Murphy's Executive Order No. 63, the NJEDA is providing opportunities for groups and stakeholders to engage with the NJEDA in crafting rules around the Historic Property Reinvestment Program.

We welcome constructive input on how to ensure new programs created through the ERA are structured and administered in a manner that drives opportunities for all residents and communities.

The NJEDA will begin the session with a presentation to summarize the draft rules – opportunity for public feedback will be available following the NJEDA's presentation. It is expected that 75-90 mins will be reserved strictly for public input.

Recording of Public Feedback Sessions

Members of the public can submit written feedback on the Historic Property Reinvestment Program via www.njeda.com/program-specific-feedback through December 23rd

All Historic Property Reinvestment Program public feedback sessions will be recorded and posted on www.njeda.com/program-specific-feedback so that members of the public unable to participate in a virtual session have the opportunity to review

Public Feedback Policy

- ▶ **Feedback may be submitted verbally by using the “raise hand” function in Zoom, or in writing through the Q&A feature.** Input will not be accepted verbally until the NJEDA has concluded its presentation.
- ▶ **Each member of the public who wishes to speak during the public feedback period should use the “raise hand” function in Zoom.** The host will acknowledge each speaker in the order in which they raised their hand and will open the speaker’s microphone to make their statement.
- ▶ To ensure everyone that chooses to has an opportunity to speak, **each speaker will have a maximum of three (3) minutes to speak and should limit input to matters pertaining to the Economic Recovery Act of 2020, the Historic Property Reinvestment Program, or the draft rules.**
- ▶ **Each member of the public will have one opportunity to provide remarks.** If time remains at the end of the session, we will reopen the opportunity for additional remarks.
- ▶ **Speakers should not expect to engage in a dialogue. NJEDA staff may respond to basic questions or clarify a speaker’s input.** However, NJEDA staff are not obligated to answer impromptu questions or address remarks from members of the public.
- ▶ **Speakers and members of the public should at all times maintain proper decorum and shall provide their remarks in a civil manner.**

Please Note

NJEDA staff will summarize the draft rules and provide context.

To access the actual draft rules, please visit www.njeda.com/program-specific-feedback.

For this presentation, please note the following:

Text highlighted in light green indicates areas where the NJEDA has used the rules to add clarity to the legislation.

Non-highlighted text is written into law which NJEDA does not have discretion to change.

What is the Historic Property Reinvestment Program?



Established under the **Economic Recovery Act of 2020 (ERA)**



Can work in conjunction with **Federal Historic Tax Credit Program**



Provides tax credits to incentivize **historic rehabilitation** in New Jersey



Applications are due by a preestablished **deadline** and awards are based on **competitive scoring**



Focuses on **historic preservation as a component of community development**



Bolster **smart growth investments focused in the revitalization of existing identified historic structures**, helping to bring often underutilized properties back to productive use



Encourage **long-term private investment into the State, while preserving properties that are of historic importance**

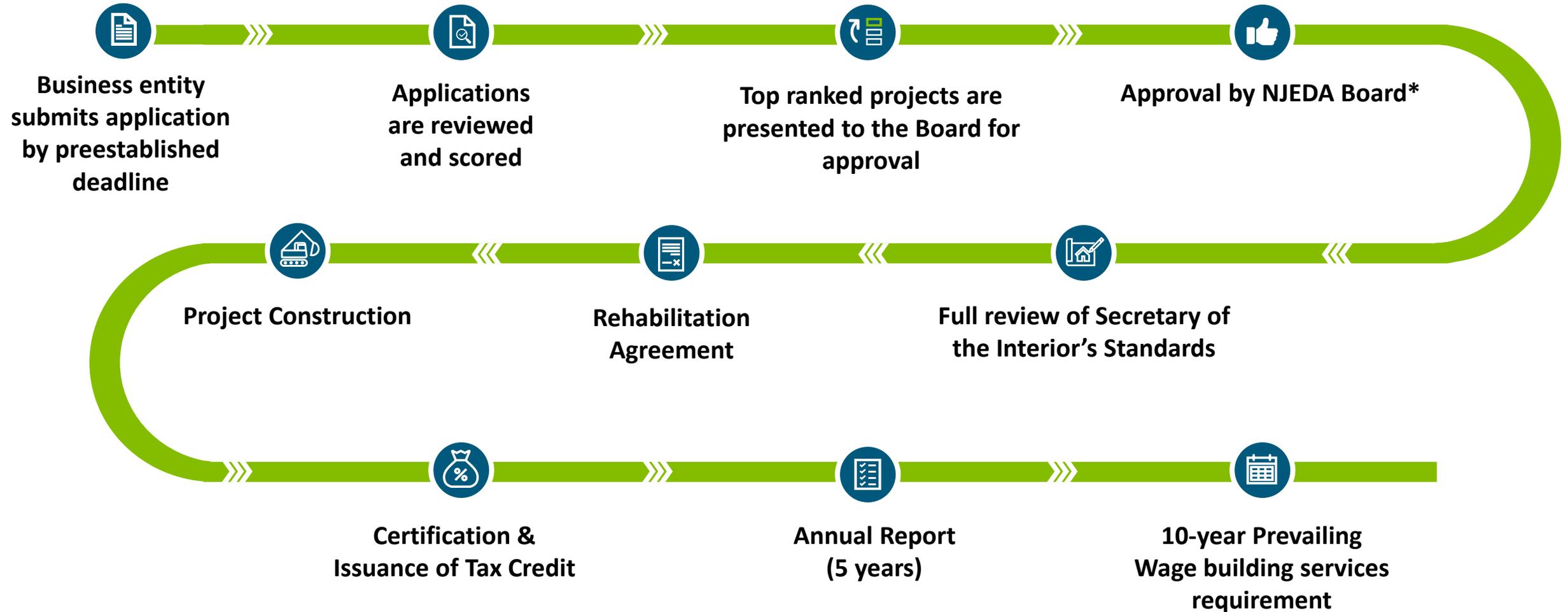


Includes fiscal protections

Key Features

- ▶ **Capped at \$300 million over 6 years**
 - Option to roll over unused program credits yearly as needed
 - Option to use funds from succeeding year if required
- ▶ Awards **40 - 45 percent of rehabilitation costs**
 - 40 percent of rehabilitation costs for qualified properties, up to a maximum of \$4 Million
 - 45 percent of rehabilitation costs for qualified properties located in a Government Restricted Municipality or a Qualified Incentive Track, up to a maximum of \$8 Million
 - 45 percent of rehabilitation costs for transformative properties, up to a maximum of \$50 Million
- ▶ Tax credits awarded via competitive application process
- ▶ Project business entity must **pay prevailing wage for all construction and for building services** 10 years following project completion

Generic Program Project Timetable



* Business entity may appeal Board action

Program Attributes

1

ELIGIBILITY

2

REHABILITATION PROJECT

3

AWARD SIZE

4

REVIEW OF APPLICATIONS

5

ADDITIONAL PROGRAM INFORMATION

6

PROGRAM FEES

Eligibility

ELIGIBILITY CRITERIA

- ▶ Without the tax credit award, the rehabilitation project is not economically feasible
- ▶ Project financing gap exists
- ▶ Construction or rehabilitation activity has **NOT** commenced
- ▶ Minimum requirement for project equity
- ▶ Minimum rehabilitation cost requirement
- ▶ Residential project must meet minimum residential requirements
- ▶ The project is a rehabilitation project

Eligibility

ECONOMIC FEASIBILITY

Business entity must demonstrate at time of application that without the tax credit, the rehabilitation project is not economically feasible.

PROJECT FINANCING GAP

Applicant must prove that a project financing gap exists, and the tax credit award being considered for the project is equal or less than the project financing gap.

Eligibility

COMMENCEMENT OF CONSTRUCTION

- ▶ The business entity has not commenced any construction or rehabilitation activity at the site of the rehabilitation project prior to submitting an application.
- ▶ The business entity will not commence any construction activity until the execution of the Rehabilitation Agreement.

PROJECT EQUITY

- ▶ Rehabilitation project must include business entity contributed equity of at least 20 percent of the Total Cost of Rehabilitation.
- ▶ **Exception:** If a rehabilitation project is located in a government-restricted municipality, the equity shall be at least 10 percent of the Total Cost of Rehabilitation.

Eligibility

COST OF REHABILITATION

The cost of rehabilitation during a business entity's selected rehabilitation period shall not be less than the greater of:

- ▶ The adjusted basis of the structure of the qualified property or transformative property used for federal income tax purposes as of the beginning of the business entity's selected rehabilitation period, OR
- ▶ \$5,000

RESIDENTIAL PROJECT REQUIREMENTS

- ▶ For a residential project, the structure must serve a residential rental purpose and contain at least four dwelling units.
- ▶ A rehabilitation project consisting of newly-constructed residential units must reserve at least 20 percent of the residential units constructed for occupancy by low- and moderate-income households with affordability controls.

Eligibility

REHABILITATION PROJECT

The proposed project is a rehabilitation project, defined as:

- ▶ A specific construction project or improvement or phase of a project or improvement undertaken by a business entity that includes the rehabilitation of a qualified property, or transformative property.

Program Attributes

1 | ELIGIBILITY

2 | REHABILITATION PROJECT

3 | AWARD SIZE

4 | REVIEW OF APPLICATIONS

5 | ADDITIONAL PROGRAM INFORMATION

6 | PROGRAM FEES

Rehabilitation Project

PROJECT TYPE

A rehabilitation project contains a property meeting the requirements for one of the following property types:



QUALIFIED PROPERTY



TRANSFORMATIVE PROPERTY

Rehabilitation Project

QUALIFIED PROPERTY

“Qualified Property” is defined as a property located in the State of New Jersey that is an income producing property, and that is:

- ▶ Individually listed, or located in a district listed on the **National Register of Historic Places**, the **New Jersey Register of Historic Places**, or the **Pinelands Commission**; **OR**
- ▶ Individually identified or registered, or located in a district identified or registered, for protection as a **significant historic resource by a municipality in accordance with criteria for identification or registration that has been approved by the officer** as suitable for substantially achieving the purpose of preserving and rehabilitating buildings of historic significance within the jurisdiction of the municipality

If located within a district the property must be contributing to the historic significance of the district

Rehabilitation Project

TRANSFORMATIVE PROPERTY

“Transformative Property” is defined as a property located in the State of New Jersey that is an income producing property, and that is:

- ▶ An income producing property, not including residential, whose rehabilitation the Authority determines **will generate substantial increase in State revenues through the creation of increased business activity within the surrounding areas**
- ▶ Individually listed on the **New Jersey Register of Historic Places**
- ▶ Received a **Determination of Eligibility** from the Keeper of the National Register of Historic Places
- ▶ Located within a **one-half mile radius of the center point of a transit village**, as designated by the NJDOT and **within a city of the first class, OR located within a government restricted municipality**

Rehabilitation Project

REHABILITATION PERIOD

Selected Rehabilitation Period:

24
MONTHS

Projects completed in a single phase

60
MONTHS

Projects completed in distinct phases as set forth in architectural plans and specifications

* Selected Rehabilitation Period is chosen by the Applicant at time of Application

Program Attributes

1 | ELIGIBILITY

2 | REHABILITATION PROJECT

3 | AWARD SIZE

4 | REVIEW OF APPLICATIONS

5 | ADDITIONAL PROGRAM INFORMATION

6 | PROGRAM FEES

Award Size

TAX CREDITS



40 percent of the cost of rehabilitation up to a maximum of **\$4 million**, for rehabilitation projects NOT located within a qualified incentive track or a government-restricted municipality



45 percent of the cost of rehabilitation up to a maximum of **\$8 million**, for rehabilitation projects located within a **qualified incentive tract** or a **government-restricted municipality**



45 percent of the cost of rehabilitation up to a maximum of **\$50 million** for rehabilitation projects that include a **transformative property**

* Award size is based on the cost of rehabilitation (eligible costs)

Program Attributes

1 | ELIGIBILITY

2 | REHABILITATION PROJECT

3 | AWARD SIZE

4 | REVIEW OF APPLICATIONS

5 | ADDITIONAL PROGRAM INFORMATION

6 | PROGRAM FEES

Review of Applications

APPLICATION EVALUATION 1 of 2

The Authority shall allocate tax credits based on the evaluation of the proposed project first to transformative projects and then other rehabilitation projects according to the following factors:

- ▶ Historic significance of the qualified property or transformative property
- ▶ Existing or potential threat to the structure due to physical condition, encroachments, or other factors
- ▶ Project Concept & Team, including stewardship of the building during the business entity's control, if any, of the qualifying property or transformative property
- ▶ Site control or agreement that will provide site control
- ▶ Positive Impact on the Surrounding Neighborhood

To receive tax credits a business entity's application shall meet a minimum score and shall be prioritized based on the factors above.

Award Size

APPLICATION EVALUATION 2 of 2

Historic Significance

- Type of Designation
- Historic Fabric/Integrity
- National, State or Local Significance
- Rare example (Type or Association)

Threat to Resource

- Building Envelope Issues
- Structural Condition
- Building Vacant – How Long?
- Threat of Encroachment

Project Concept & Team

- Project Approach
- Project Team Experience
- Project Schedule
- Construction Cost Estimate
- Project Permitting Status

Site Control

If business entity has not secured control of the entire site, applicant must show any agreement with current owner, including, but not limited to right of entry or letters of intent

Impact on Surrounding Neighborhood

- Project will address an unmet neighborhood, municipal and/or regional need
- Community support for project
- Project has potential to attract small businesses or employers to area

Program Attributes

1 | ELIGIBILITY

2 | REHABILITATION PROJECT

3 | AWARD SIZE

4 | REVIEW OF APPLICATIONS

5 | ADDITIONAL PROGRAM INFORMATION

6 | PROGRAM FEES

CO-APPLICANT

Business Entity, developer, or applicant may enter into a Rehabilitation Agreement with a co-applicant.

Co-applicant is defined as:

- ▶ A non-profit for taxation purposes under the provisions of Section 501 (c)3 of the Internal Revenue Code;
- ▶ Contributes capital, real property, or services related to the project that directly affect and serve the anticipated residents, tenants, or customers of the tenants of the redevelopment project; AND
- ▶ Enters into a participation agreement with the developer that specifies the co-applicant's participation in the redevelopment project

PREVAILING WAGE

Prevailing Wage is required for all project costs during construction, and for building services for 10 years thereafter:

- ▶ For building services at the site of the rehabilitation project, wage rates start with the completion of the first phase of a 60-month project or the completion of a 24-month project

AFFIRMATIVE ACTION

The Authority's affirmative action requirements and N.J.A.C. 19:30-3 shall apply to the rehabilitation project.

- ▶ Shall apply until the later of the completion of the rehabilitation project, OR
- ▶ Two years after the first tax credit is issued

Additional Program Information

TRANSFER OF CREDIT 1 of 2

Business entity may apply for a tax credit transfer certificate:

- ▶ Business entity may sell or assign, in full or part, the tax credit transfer certificate to another taxpayer in exchange for private financial assistance
- ▶ Business entity shall not sell a tax credit transfer certificate for less than **85 percent** of the transferred credit amount
- ▶ Residential project consisting of newly-constructed residential units that has received federal low-income housing tax credits and have a plan approved by HMFA and NJEDA can sell credits for no less than **75 percent of their nominal value**
- ▶ A purchaser or assignee of a tax credit transfer certificate shall not make any subsequent transfers, assignments, or sales of the tax credit transfer certificate

Additional Program Information

TRANSFER OF CREDIT 2 of 2

For every tax credit transfer approved, NJEDA will publish to its website:

- ▶ The name of the transferor
- ▶ The name of the transferee
- ▶ The value of the tax credit transfer certificate
- ▶ The State tax against which the transferee may apply the tax credit
- ▶ The consideration received by the transferor

Program Attributes

- 1** | **ELIGIBILITY**
- 2** | **REHABILITATION PROJECT**
- 3** | **AWARD SIZE**
- 4** | **REVIEW OF APPLICATIONS**
- 5** | **ADDITIONAL PROGRAM INFORMATION**
- 6** | **PROGRAM FEES**

Program Fees

REHABILITATION COST UP TO \$10 MILLION

Type of Fee	Prior Federal Credit Program Approval	No Prior Federal Credit Program Approval	Administrative Changes, Additions, or Modifications	Major Change, Addition, or Modification
Application Fee	\$2,000	\$2,000		
Approval Fee	\$5,000	\$5,000		
Agreement Fee	\$5,000	\$10,000		
Certification Fee	\$5,000	\$5,000		
Transfer Fee	\$5,000	\$5,000		
Modification Fee			\$2,500	\$5,000
	\$22,000	\$27,000	Potential project fees (without modifications)	

Program Fees

REHABILITATION COST OVER \$10 MILLION

Type of Fee	Prior Federal Credit Program Approval	No Prior Federal Credit Program Approval	Administrative Changes, Additions, or Modifications	Major Change, Addition, or Modification
Application Fee	\$7,000	\$7,000		
Approval Fee	\$14,000	\$14,000		
Agreement Fee	\$14,000	\$28,000		
Certification Fee	\$14,000	\$14,000		
Transfer Fee	\$7,500	\$7,500		
Modification Fee			\$5,000	\$10,000
	\$56,500	\$70,500	Potential project fees (without modifications)	

Program Fees

TRANSFORMATIVE PROJECTS

Type of Fee	Prior Federal Credit Program Approval	No Prior Federal Credit Program Approval	Administrative Changes, Additions, or Modifications	Major Change, Addition, or Modification
Application Fee	\$18,000	\$18,000		
Approval Fee	\$125,000	\$125,000		
Agreement Fee	\$125,000	\$250,000		
Certification Fee	\$125,000	\$125,000		
Transfer Fee	\$25,000	\$25,000		
Modification Fee			\$50,000	\$125,000
	\$418,000	\$543,000	Potential project fees (without modifications)	

Program Fees

ADDITIONAL POTENTIAL FEES

Type of Fee	Projects with Rehabilitation Cost Up To \$10 Million	Projects with Rehabilitation Cost Over \$10 Million	Transformative Projects
6-Month Extensions – Prior to Agreement	\$2,500	\$5,000	\$10,000
6-Month Extension – Post Project Completion	\$2,500	\$5,000	\$10,000
Agreement Transfer	\$2,500	\$5,000	\$50,000

Public Feedback Policy

- ▶ **Feedback may be submitted verbally by using the “raise hand” function in Zoom, or in writing through the Q&A feature.** Input will not be accepted verbally until the NJEDA has concluded its presentation.
- ▶ **Each member of the public who wishes to speak during the public feedback period should use the “raise hand” function in Zoom.** The host will acknowledge each speaker in the order in which they raised their hand and will open the speaker’s microphone to make their statement.
- ▶ To ensure everyone that chooses to has an opportunity to speak, **each speaker will have a maximum of three (3) minutes to speak and should limit input to matters pertaining to the Economic Recovery Act of 2020, the Historic Property Reinvestment Program, or the draft rules.**
- ▶ **Each member of the public will have one opportunity to provide remarks.** If time remains at the end of the session, we will reopen the opportunity for additional remarks.
- ▶ **Speakers should not expect to engage in a dialogue. NJEDA staff may respond to basic questions or clarify a speaker’s input.** However, NJEDA staff are not obligated to answer impromptu questions or address remarks from members of the public.
- ▶ **Speakers and members of the public should at all times maintain proper decorum and shall provide their remarks in a civil manner.**

Recording of Public Feedback Sessions

Members of the public can submit written feedback on the Historic Property Reinvestment Program via www.njeda.com/program-specific-feedback through December 23rd

All Historic Property Reinvestment Program public feedback sessions will be recorded and posted on www.njeda.com/program-specific-feedback so that members of the public unable to participate in a virtual session have the opportunity to review



Visit NJEDA.com/EconomicRecoveryAct for more information.



@NewJerseyEDA | njeda.com | 609.858.6767