What is the Aspire Program?

- Established under the **Economic Recovery Act of 2020 (ERA)**
- **Successor to the Economic Recovery and Growth Program (ERG)**
- Provides tax credits to incentivize **strategic real estate projects** in New Jersey
- Awards are based on a **project financial need** calculation
- Focuses on **strengthening communities** and **creating local benefits**
- Encourages growth in **communities with greatest levels of distress**
- Supports **commercial and residential** growth
- **Includes fiscal protections**
- Program **expires on March 1st, 2027**

NJEDA ECONOMIC DEVELOPMENT AUTHORITY

Key Features

- **Capped** with NJ Emerge at **$1.1 billion over 6 years**
  - Option to roll over unused program cap to a seventh year
- Awards up to **45 percent of project costs**
  - Up to 50 percent of project costs in a Government Restricted Municipality (GRM)
  - Up to 60 percent of project costs for new construction projects using Low Income Housing Tax Credits (LIHTC)
- **Transformative projects** with at least $100 million project costs may get tax credits up to $350 million
- Maximum **10-year eligibility period**
- Project developers must **pay prevailing wage for all construction and for building services** for the duration of the eligibility period

Projects with costs of $10 million or more must have a Community Benefits Agreement

Program Attributes

1 | AWARD SIZE

2 | ELIGIBILITY

- Geography
- Project size
- Scoring
- Financing gap
- Phasing
- Affordable housing
- Municipal support
- Prevailing Wage
- Affirmative Action
- Minimum Environmental Standards

3 | FISCAL AND RESIDENT PROTECTIONS

- Community Benefits Agreement
- Benefit test
- Tax credit transfers
- Transparency
- Rate of return

4 | TRANSFORMATIVE PROJECTS

- Award size
- General eligibility
- Residential project requirements
- Commercial project requirements

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Rules clarification

Award Size

Baseline tax credits available

- Tax credits equal to **45 percent of project costs up to $42 million**

Bonuses

Commercial projects in a GRM can receive tax credits **up to 50 percent of project costs** in project support

Newly constructed residential projects that are also utilizing four percent LIHTCs can receive tax credits **up to 60 percent of project costs**

Projects using LIHTC or any other project in a Qualified Incentive Tract (QIT), GRM, or municipality with an Municipal Revitalization Index (MRI) distress score of at least 50, can receive **tax credits up to $60 million**

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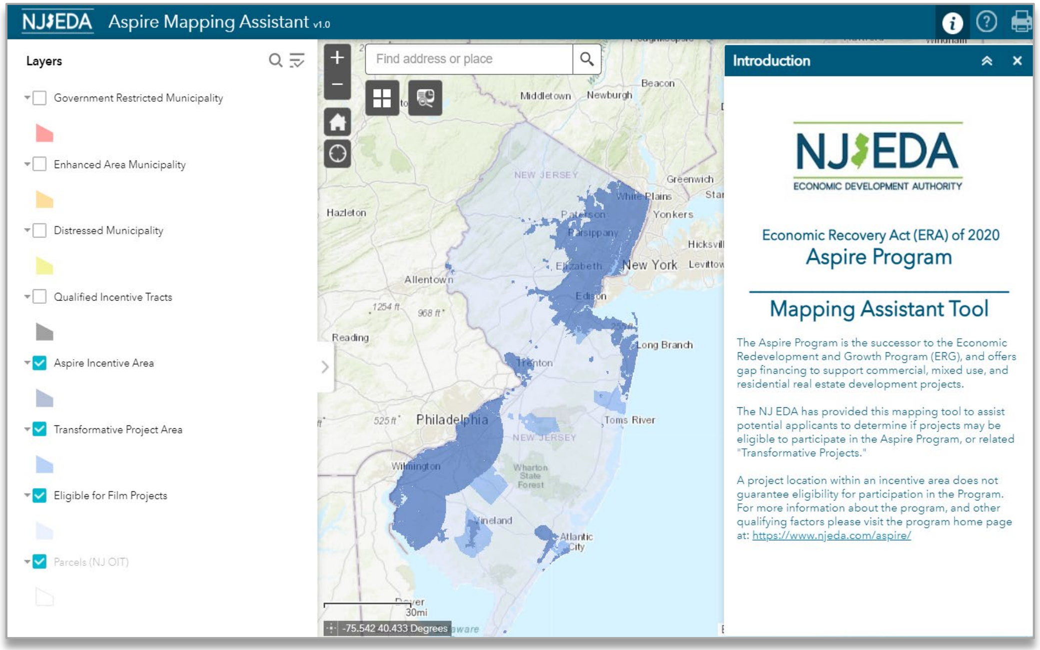
Rules clarification

Eligibility

GEOGRAPHY

Projects must be located in an Incentive Area:

- Planning Area 1
- Aviation District
- Port District
- Planning Area 2 (Suburban) or Designated Center, provided either within a half mile of a rail transit station or a high frequency bus stop



https://njeda.maps.arcgis.com/apps/webappviewer/index.html?id=b32ea4347e6a4403a36859e6ee6e5c0a

Transformative projects can also qualify if located in a GRM, Enhanced Area, or Distressed Municipality

Film projects may be located anywhere

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Eligibility

PROJECT SIZE

Residential projects

must have costs totaling at least:

- **$5 million** in a QIT or GRM
- **$10 million** in any other community with a population of less than 200,000
- **$17.5 million** in any other Incentive Area (i.e. Newark or Jersey City)

Commercial projects

must be at least **100,000** square feet

Implications of Program Rules for Different Projects

A Project with $40 Million in Project Costs – Three Versions

1. Residential, 20% affordable, No LIHTC
   - Eligible for tax credit award of up to $18 million

2. Residential, 4% LIHTC;
   - Eligible for tax credit award of up to $24 million

3. Commercial project, office over retail
   - Eligible for tax credit award of up to $18 million
   - If in a GRM, eligible for award up to $20 million

Rules clarification

Eligibility

SCORING

- Scoring will be used to assess project consistency with program objectives, not to compare projects with one another
- Projects not demonstrating evidence of consistency with program policy objectives would not advance further
  - *Scoring questions related to equity, environmental justice, climate resilience, workforce housing, and sustainability*
  - *Scoring questions available at* [Aspire Program (NEW) - NJEDA]

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Eligibility

FINANCING GAP

Projects must **demonstrate a project financing gap**

- "Project financing gap" refers to the part of the total project cost, including reasonable and appropriate return on investment, that remains to be financed after all other sources of capital have been accounted for

NJEDA will determine "**reasonable and appropriate return on investment**" relying on third-party analysis of project type, scale, geography, etc.

OTHER SOURCES OF CAPITAL INCLUDE:

- **Developer-contributed capital**
- **Deferred development fees**
- **Federal tax credits (for certain purposes)**

Rules clarification

Eligibility

PHASING

Projects can be undertaken in phases if each phase has

- Project costs of at least $50 million
- A Temporary Certificate of Occupancy (TCO)

AFFORDABLE HOUSING

All projects including newly-constructed residential units must provide a minimum of 20 percent affordable housing

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Eligibility

PREVAILING WAGE

Required for all project costs during construction, and for building services and maintenance throughout the eligibility period

Required for any costs incurred **prior** to application if those costs are included in project costs

Failure to comply will be grounds for withholding of tax credits and other possible penalties

Rules clarification

Eligibility

MUNICIPAL SUPPORT

Letter of support from governing body of the municipality where the project will be located is required at time of application for commercial and residential projects

AFFIRMATIVE ACTION AND ENVIRONMENTAL STANDARDS

Projects must meet affirmative action requirements for all work included in the project cost and for two years after the tax credit certificate is issued

Projects must meet minimum environmental and sustainability standards outlined at https://www.njeda.com/green-building-guidance_v8-final/

- Applicants will need to acknowledge the need to meet these standards and provide a description of how they will be met

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Fiscal and Resident Protections

COMMUNITY BENEFITS AGREEMENT (CBA)

Required for projects with total costs of $10 million or more

- Developer shall enter into a CBA **with the Chief Executive of the municipality** for each incentivized municipality location
  - Municipality may request the Chief Executive of the County containing the municipality to negotiate and enter into the CBA
- Agreement **may provide services to underserved communities or other investments that benefit the community as a whole**
  - **Up to 5 percent** of costs associated with these services/investments may be included in applicant project economics as a soft cost or stream of annual operating costs
- Municipality/County must plan **at least one community engagement session**
- Municipality/County appoints a **Community Action Committee** with at least three members to monitor CBA implementation

Fiscal and Resident Protections

NET BENEFIT TEST (1/2)

- Net benefit requirements for commercial projects are based on location:

Located in **Government Restricted Municipalities**	**150%**
Located **Anywhere Else**	**185%**

- **No net benefit** test is required for residential projects
- Food service and health care centers are **not subject to a net benefit test if the project is larger than 10,000 square feet**

Both tax credits and benefit to the State are evaluated on a present value basis using the same discount rate

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Fiscal and Resident Protections

NET BENEFIT TEST (2/2)

Proposed policy for testing net benefit to the State for commercial projects:

- Utilize the **IMPLAN model**
- For **construction benefits**, use **direct, indirect, and induced** tax revenues at the State level
- For **ongoing benefits**, use **direct and indirect** tax revenues at the State level
  - Use regional average salaries for each real estate use and employee per square foot data
- Use **separate regional multipliers** for South Jersey and North Jersey
- **Local tax benefits** only included when they **benefit the State** and are **sufficiently evidenced by applicant**
- Use a **2 percent inflation rate** and an **8 percent discount rate**

Fiscal and Resident Protections

TAX CREDIT TRANSFERS

- Tax credits awarded through the Aspire Program can be sold for no less than 85 percent of their nominal value
- Exceptions for residential projects:
  - Residential projects financed in part by LIHTC can sell tax credits for **no less than 65 percent of their nominal value**
  - Residential projects that are not using LIHTC and have a plan approved by HMFA and NJEDA can sell credits for **no less than 75 percent of their nominal value**

Fiscal and Resident Protections

RATE OF RETURN

Statute and program procedures aim for reasonable developer returns

- **Reasonable and Appropriate Rate of Return (RARR)** set based on project-specific characteristics including location, industry class, extent of local economic disadvantage
- Return rates for all municipalities and industry classes in New Jersey have historically ranged **between 11 percent and 19 percent**
- **Project economics set at Board Approval** and checked at project certification for consistency with Board approval
- Actual **returns reviewed at year 7**
- If actual returns exceed Board-approved RARR by more than 15 percent, **State Treasury receives 20 percent of "excess returns"**

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Transformative Projects

AWARD SIZE

Tax credits of **40 percent of eligible project costs up to $350 million**

GENERAL ELIGIBILITY

- Minimum **$100 million project cost and construction or substantial renovation** of:
  - 500,000 square feet
  - 250,000 square feet if project is a film studio
- Located in an Incentive Area, Distressed Municipality, GRM, or Enhanced Area
  - No geographic limits for film studio projects

Transformative Projects

PROJECT REQUIREMENTS

Residential projects

- 1,000 units or
- 100,000 square feet of commercial space and
  - At least 250 units in a GRM
  - At least 350 units in an Enhanced Area
  - At least 600 units in any other eligible Incentive Area

Commercial projects

- At least 20 percent of any residential units are for low- and moderate-income households
- At least:
  - **500,000 square feet** of new or substantially renovated commercial, industrial, or residential space, or
  - **250,000 square feet** of film production space
- No more than **50 percent of space for retail**

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