



Historic Property Reinvestment Program Frequently Asked Questions

GENERAL INFORMATION AND PROGRAM ELIGIBILITY

What is the Historic Property Reinvestment Program and how is it administered?

The Historic Property Reinvestment Program is a historic tax credit program for historic, income producing properties within the state of New Jersey. The program is administered by the New Jersey Economic Development Authority in coordination with the New Jersey Historic Preservation Office and the New Jersey Division of Taxation in the Department of the Treasury.

What criteria must a project meet in order to apply to the Historic Property Reinvestment Program?

In order to apply to the Historic Property Reinvestment Program a project must be income producing, located within the State of New Jersey and meet eligibility requirements for the program. The main eligibility requirements for the program include:

- **Historic Property** – The property must have been previously identified as historic and meet the program’s definition under either “qualified property” or “transformative property” (see definitions below).
- **Economic Feasibility** – Business entity (which is the applicant) must demonstrate at the time of the 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 that the tax credit award being considered for the project is equal or less than the project financing gap.
- **Commencement of Construction** – The business entity must not have started any construction activity at the site prior to submitting the application or execution of the agreement (with certain limited exceptions mainly dealing with unexpected or unforeseen damage to the property).
- **Project Equity** – The project must include business entity contributed capital of at least 20 percent of the Total Cost of Rehabilitation (Total project cost). There is one exception to this requirement, which is that for projects located within a Government restricted municipality, the business entity contributed capital needs to be a least 10 percent rather than 20.
- **Cost of Rehabilitation** – The program has a requirement for a minimum cost of rehabilitation to be able to qualify as follows: the cost of rehabilitation (eligible costs) cannot be less than either the adjusted basis of the structure of the qualified or transformative property (basically the value of the building) at the beginning of the selected rehabilitation period (start of the project), or \$5,000, whichever is higher.
- **Residential Project Requirements** – There are two main requirements for residential projects: 1) the structure must serve a residential rental purpose and contain at least 4 dwelling units, and 2) if the project consists of the newly-constructed residential units, then there is a requirement for at least 20 percent of the constructed units to be reserved for low- and moderate-income households.
- Finally, the project must be a **Rehabilitation Project**. Rules for the program define a rehabilitation project 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”.

Detail information on eligibility requirements can be found within the rules for the program, under N.J.A.C. 19:31-26.3.

What criteria must a historic property meet to be eligible for the Historic Property Reinvestment Program?

Property must meet the definition of Qualified Property or Transformative Property under the program.

What criteria must the rehabilitation work meet in order to qualify for the tax credit?

The proposed rehabilitation work must be completed in a manner consistent with the historic character of the structure(s) and, where applicable, the district in which it is located and in substantial compliance with the Secretary of the Interior’s Standards for Rehabilitation pursuant to 36 CFR 67.7.

You can find the Secretary of the Interior’s Standards for Rehabilitation under 36 CFR 67.7. Additionally, the National Park Service has a number of resources available, including information within their Technical Preservation Services: (<https://www.nps.gov/tps/standards/rehabilitation.htm>).

Is previously complete rehabilitation work eligible for the Program?

The program does not apply to previously completed rehabilitation work. Furthermore, to be able to apply for the program, the applicant must not have commenced any construction or rehabilitation activity at the site of the rehabilitation project prior to submitting an application and cannot commence any construction or rehabilitation activity until the execution of the rehabilitation agreement (with certain limited exceptions).

Are there limits on the size of the project?

Eligible costs for the rehabilitation work within the project’s selected rehabilitation period (24-month for single phase projects, or up to 60 months for a phased projects), must exceed the adjusted basis of the building (i.e. the purchase price minus value of the land minus any depreciation already taken plus any capital improvements), or \$5,000, whichever is greater. There is no maximum size for a project.

Do I need to own the property to apply for the Program?

At time of application to the program, the applicant must show that it has or will have site control over the qualified property or transformative property prior to the start of the project. Site control must continue for the entire duration of the project and extend at least until the end of the compliance period under the program.

Is there a program cap on the available tax credits?

There is an annual cap of \$50 million tax credits available each fiscal year for the duration of the program. Unused credits may be carried over to the subsequent funding year.

Who can I contact for more information about the Historic Property Reinvestment Program?

All questions regarding the Historic Property Reinvestment Program can be sent to HistoricTaxCredit@njeda.com.

Where can I view the complete set of rules for the Program?

You can view and download the proposed rules for the program on our website at:
<https://www.njeda.com/historic-property-reinvestment-program%e2%80%8b/>.

Does my project have to meet Green Building Construction Requirements?

While the rehabilitation of an existing building could be seen as the ultimate green project which maximized the use of existing materials while reducing waste, the Historic Property Reinvestment Program does not include any Green Building Construction Requirements.

What happens if I am unable to sign the “Certification of non-involvement in prohibited activities in Russia or Belarus”?

If you are not able to sign the required certification of non-involvement, please send an email to HistoricTaxCredit@njeda.com with the subject: “Certification of non-involvement in prohibited activities in Russia or Belarus.”

DEFINITIONS

What is a Rehabilitation Project?

A Rehabilitation project is 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.

What is a Qualified Property?

Property must be income producing, located within the State of New Jersey, and must have been identified within at least one of the following designation categories/groups:

- Listed in the National Register of Historic Places
- Listed in the New Jersey Register of Historic Places
- Identified as historic by the Pinelands Commission
- Identified or registered for protection by a Certified Local Government.

In all instances, the property may be either individually identified/listed, or be included as part of a historic district. If part of a district, it must have been identified as contributing to the historical significance of the district.

What is a Transformative Property?

Property must be located within the State of New Jersey, and must meet the following requirements:

1. Be an income producing property, not including a residential property, whose rehabilitation the Authority determines will generate substantial increases in State revenues through the creation of increased business activity within the surrounding area;
2. Be individually listed on the New Jersey Register of Historic Places;
3. Have received a Determination of Eligibility from the Keeper of the National Register of Historic Places prior to the enactment of the Historic Property Reinvestment Act; and
4. Be located within a one-half mile radius of the center point of a transit village, as designated by the New Jersey Department of Transportation, **and** located within a city of the first class; **or** located within a government-restricted municipality.

What is a Transformative Project?

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

What is a Certified Local Government? Where can I find if my municipality is one?

A certified local government or “CLG” is an individual local government who has received a designation reflecting that the local government has been jointly certified by the State Historic Preservation Officer and the National Park Service as having established its own historic preservation program meeting Federal and State standards.

For more information on the CLG Program and whether or not your local government is a CLG, please visit: <https://www.nps.gov/subjects/clg/index.htm>.

What is a City of the First Class?

Under N.J.S.A. 40A:6-4, a City of the First Class is a city having a population of over 150,000 as ascertained by the most recent Federal decennial census. Currently, based on data from the 2020 US decennial census, there are 3 cities of the first class in NJ: Jersey City, Newark, and Paterson.

What is a Government Restricted Municipality?

The New Jersey Economic Recovery Act of 2020 defines Government Restricted Municipality (GRM) as a municipality in this State with a municipal revitalization index distress score of at least 7, that met the criteria for designation as an urban aid municipality in the 2019 State fiscal year, and that, on the effective date of the Act, is subject to financial restrictions imposed pursuant to the Municipal Stabilization and Recovery Act **1**[of 2016]**1**, P.L.2016, c.4 **1**[(52:27BBBB-1)] (C.52:27BBBB-1 et seq.)**1**, or is restricted in its ability to levy property taxes on property in that municipality as a result of the State of New Jersey owning or controlling property representing at least 25 percent of the total land area of the municipality or as a result of the federal government of the United States owning or controlling at least 50 acres of the total land area of the municipality, which is dedicated as a national natural landmark.

Currently there are 3 GRMs in New Jersey: Atlantic City, Paterson, and Trenton.

What is the Cost of Rehabilitation (Eligible Costs)?

Eligible costs are all costs associated with the structural components, as defined by 26 CFR 1.48-1(e)(2), within the qualified property or transformative property, and any soft costs associated with the rehabilitation project. Expenses related to new heating, plumbing and electrical systems are also eligible, as well as expenses related to updating kitchens and bathrooms, compliance with ADA, and fire suppression systems and fire escapes. Eligible costs do not include any costs associated with an increase in total building volume.

The term “structural components” as defined by 26 CFR 1.48-1(e)(2) includes parts of a building such as walls, partitions, floors, and ceilings, as well as any permanent coverings such as paneling or tiling; windows and doors; all components (whether in, on, or adjacent to the building) of a central air conditioning or heating system, including motors, compressors, pipes and ducts; plumbing and plumbing fixtures, such as sinks and bathtubs; electric wiring and lighting fixtures; chimneys; stairs, escalators, and elevators, including all components thereof; sprinkler systems; fire escapes; and other components relating to the operation or maintenance of a building.

What is a Selected Rehabilitation Period?

The selected rehabilitation period is the period starting on the date the rehabilitation agreement is executed during which, or parts of which, a rehabilitation is occurring. At application the applicant must select either a 24 months or a 60 months selected rehabilitation period based on whether the project will be completed as a single phase or in distinct phases set forth in the project's plans and specifications, respectively. The selected rehabilitation period ends at the earlier of either 24 or 60 months, respectively, or the issuance of the final temporary certificate of occupancy or equivalent.

What is the Compliance Period?

The Compliance Period is a period of five years starting immediately after the conclusion of the selected rehabilitation period.

INFORMATION ON HISTORIC DESIGNATIONS

How do I find out if my property is listed in the National or New Jersey Register of Historic Places?

To check if your property is listed in the National or New Jersey Register of Historic Places, or has a Determination of Eligibility from the Keeper or the National Register, please visit New Jersey's Historic Preservation Office's Cultural Resources Geographic Information System "LUCY", which can be accessed from their website at: <https://nj.gov/dep/hpo/1identify/gis.htm>.

How do I find out if my property has been identified as historic by the Pinelands Commission?

Information regarding designation by the Pinelands Commission can be confirmed by contacting the Commission. Contact information for the Pinelands Commission can be found at their website: <https://www.state.nj.us/pinelands/>.

How do I find out if my property has been identified or registered for protection by a Certified Local Government (CLG)?

First you must verify that the property is located within a CLG. A list of New Jersey's Certified Governments can be found thru the National Park Service's Certified Local Governments page at: <https://www.nps.gov/subjects/clg/index.htm>. If the property is located within a CLG, you must reach them directly to obtain information regarding their identified or registered properties.

SUBMITTING YOUR APPLICATION

Is there a deadline to apply for the Program?

Yes. The program is a competitive program, with applications being submitted within a pre-established application window by a set deadline. Application deadlines will be publicly announced and posted to NJEDA's website.

How will applications be scored?

All applications will be reviewed and scored based on preestablished factors. The review of applications will be conducted by a selection committee that will include professionals with experience in the Historic Preservation and the construction field. All applications will be evaluated according to five categories/factors:

1. Historic Significance
2. Imminent Threat to Historic Resource
3. Project Concept and Team
4. Site Control
5. And Positive Impact on the Surrounding Neighborhood.

To receive tax credits, an application must meet a minimum score of 50 out of a possible maximum 100 points.

Should the program be oversubscribed on any particular year, applications will be ranked based on score.

Additional information on scoring criteria can be found in the Historic Property Reinvestment Program Scoring Criteria document.

Can decisions be appealed?

At the conclusion of each application round, recommendations for approval of projects (based on scoring) will be made to NJEDA's Board of Directors. The Board will approve projects based on presented recommendations. An applicant may appeal the Board's action by submitting in writing to the Authority, within 21 calendar days from the effective date of the Board's action, an explanation as to how the applicant has met the program criteria. Detailed appeal process can be found within the rules for the program, under N.J.A.C. 19:31-26.14.

How is the value of the tax credit calculated?

Value of the tax credit is calculated based on a percentage of the cost of rehabilitation (eligible costs), with actual percentages dependent on the type of property (e.g., whether it is a qualified property or a transformative property) and on location of the project.

What are the award sizes?

Awards are calculated based on a percentage of the cost of rehabilitation (eligible costs), with actual percentages dependent on the type of property (e.g., whether it is a qualified property or a transformative property) and on location of the project.

- Most eligible projects can receive tax credits worth up to 40% of eligible costs up to a project cap of \$4 million for qualified properties.
- Eligible projects located within a qualified incentive tract or in government-restricted municipalities can receive tax credits worth up to 45% of eligible project costs up to a project cap of \$8 million for qualified properties.
- Transformative projects can receive tax credits worth up to 45% of eligible project costs up to a project cap of \$50 million.

What are the Program fees?

Program fees have been calculated using a matrix similar to that used for other NJEDA programs. They take into consideration anticipated level of effort needed to conduct review of applications as well as expected number of submissions through the course of the program, based on best available information and projections.

Fees have been set up using a 3-tier fee structure, with the first two tiers based on project site (as determined by eligible cost) and a third tier exclusively for transformative projects. Detailed information on fees, including a guidance document, which includes a list of program fees and tables showing fee

amounts, can be accessed at: <https://www.njeda.com/historic-property-reinvestment-program%e2%80%8b/>.

Can I transfer or sell the tax credits?

A business entity or co-applicant who has received a tax credit under the Historic Property Reinvestment Program may request a tax credit transfer certificate and may sell or assign, in full or part, the tax credit transfer certificate to another taxpayer in exchange for private financial assistance. The tax credit transfer certificate may not be sold or transferred for less than 85 percent of the transferred credit amount, except that for 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.

Can I apply for the federal and state tax credit programs at the same time?

While the HPRP can work in conjunction with the Federal Historic Tax Credit Program, projects must apply to each program separately. Furthermore, the HPRP is a competitive program requiring applications to be submitted by a preestablished annual deadline/s, while applications for the federal program are accepted year-round.

The Federal historic tax credit program is administered by the National Park Service (NPS) and the Internal Revenue Service (IRS) in partnership with the State Historic Preservation Offices (SHPOs). For more information about how to apply for federal historic tax credits go to <https://www.nj.gov/dep/hpo/3preserve/itc.htm>.

COMPLETING YOUR PROJECT

How long do I have to complete the rehabilitation project?

The program allows applicants to choose one of two “selected rehabilitation periods”: a 24-month period for projects to be completed in a single phase, or a 60-month period for projects that will be completed in distinct phases. The selected rehabilitation period for a project starts on the date the rehabilitation period is executed and concludes at the earlier of either 24 or 60 months, or the issuance of the final temporary certificate of occupancy or equivalent.

What if there are changes or modifications midway through the project?

Once a rehabilitation project has been approved by NJSDA’s Board, changes in the work as detailed within the rehabilitation agreement, including, but not limited to, demolition or removal of historic fabric, any change in the treatment of historic finishes, any change in the layout or proposed uses of the property, a reduction in the amount of the total cost of rehabilitation or cost of the rehabilitation, or any change in the financing require prior review and written approval by the Authority. A business entity may submit a request for a modification to the project at any time during the course of the project; however, a Modification Fee will apply to the review of such request. To be considered for approval, the revised rehabilitation project must continue to meet the requirements for the rehabilitation of a qualified property or transformative property as defined under the program. Regardless of whether an approved modification requests result in an increase to project costs, the amount of the tax credit award will not be increased from the amount approved the NJEDA’s Board following original submission.