Aspire Overview

January 2025

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ECONOMIC DEVELOPMENT AUTHORITY

Legislative History

- **Jan 2021** – Governor Murphy Signs NJ Economic Recovery Act
- **Jul 2021** – Governor Murphy Signs Revisions to ERA
- **Nov 2021** – EDA Board Approves Aspire Program Rules and files with OAL
- **Dec 2021** – Rules Published in the NJ Register and public comment period begins
- **Oct 2022** – Expiration of rules extended one year after significant public comment
- **Jul 2023** – Governor Murphy signs amended Aspire legislation
- **Nov 2023** – New rules brought in front of EDA board for approval
- **Jan 2025** – Governor Murphy signs amended Aspire legislation

Aspire 3.0

- Signed into law, January 23, 2025, made various changes to the Aspire program.
- The new bill makes it easier to finance projects in all eligible areas, especially in the new and original GRMs. It also increases the percentage award cap in the original GRMs.

What is the Aspire Program?

- Established under the **Economic Recovery Act of 2020 (ERA);** New Bill signed January 2025
- **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, new construction AND rehab
- **Includes fiscal protections**
- Program **expires on March 1st, 2029**

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Key 3.0 Legislative Highlights

KEY CHANGES

- Tax credits can be redeemed by Treasury for 0.85 cents on the dollar
- Three New GRM's – Camden, East Orange and New Brunswick can receive up to 80% of eligible cost
- Increase award caps for original GRM’s (Atlantic City, Paterson, and Trenton) to 85%
- Transformative residential mixed-use Projects Square Footage lowered from 50,000 sq. ft. to 30,000 sq. ft.
- Planning Areas 2 and Designated Centers under the state redevelopment plan are now eligible
- A warehouse distribution or fulfillment center with at least $10 million in environmental remediation costs is now eligible

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:

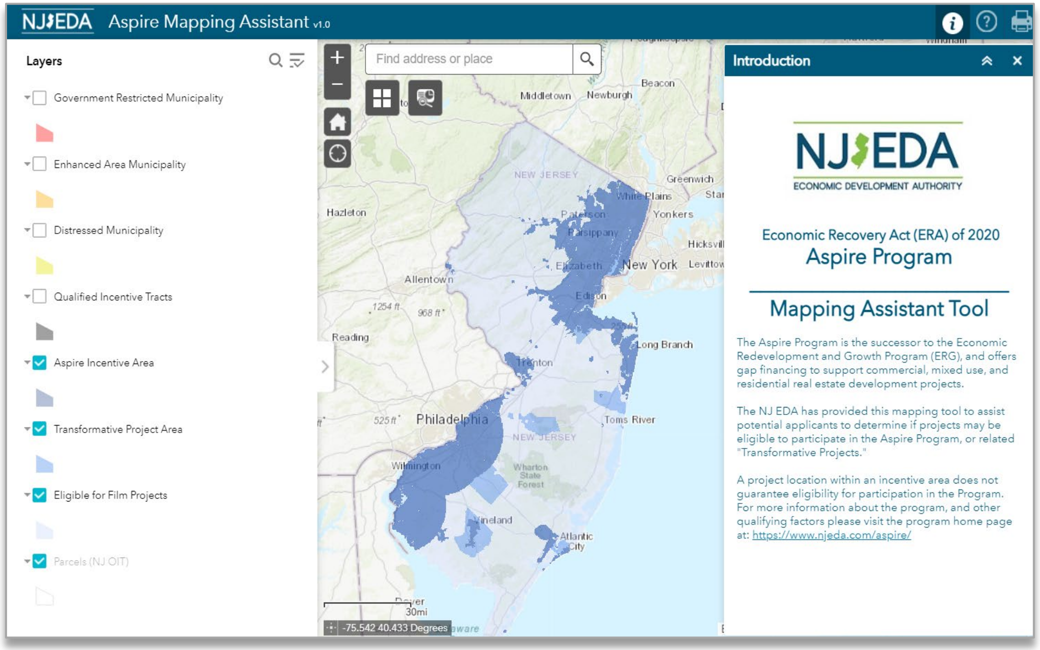
- **Developer-contributed capital**
- **Deferred development fees**
- **Federal tax credits (for certain purposes)**

Eligibility

GEOGRAPHY

Projects must be located in an Incentive Area:

- Planning Area 1
- Aviation District
  - New: Trenton-Mercer Airport
- Port District
- Planning Area 2 or Designated Center
- Certain brownfield sites over 100 acre



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

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

Eligibility

PROJECT CAPS

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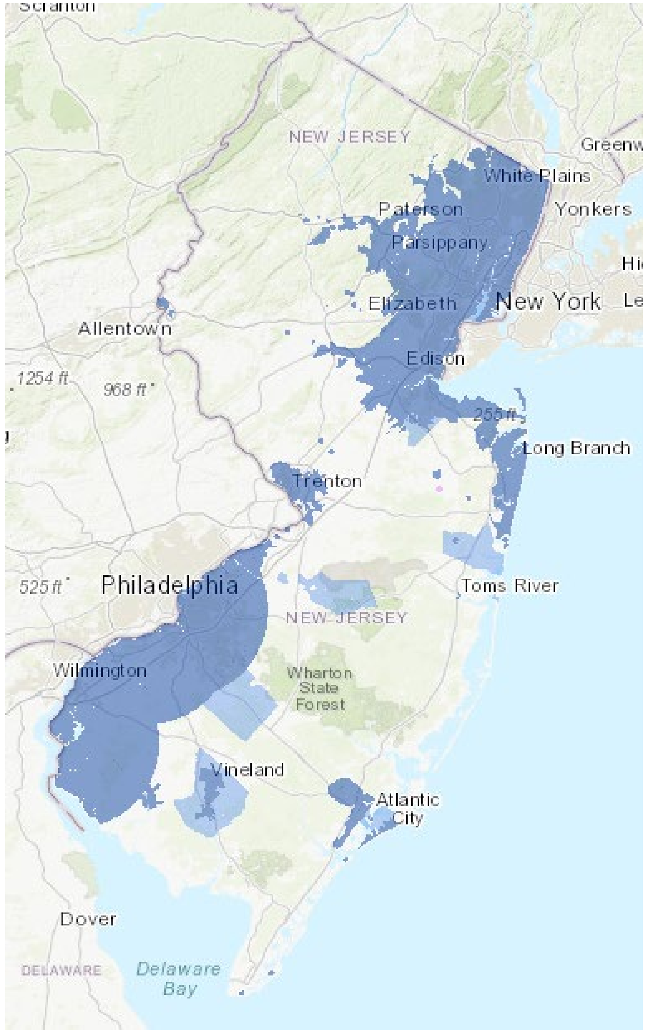
Per Project Caps

- **85% of eligible costs up to $120 million** for Atlantic City, Trenton, Paterson
- **80% of eligible costs up to $120** million for Camden, East Orange and New Brunswick
- **60% of eligible costs up to $90 million** for 4% or 9% LIHTC project or projects in a qualified incentive tract or enhanced area
- **50% of eligible costs up to $60** million for all other eligible projects
- Transformative caps are the same percentages but up to **$400 million**

Credits are disbursed over 10 years; 5 or 10 years in GRM

Enhanced area includes: Jersey City, Newark, Elizabeth, Passaic, Hoboken, Paulsboro, Salem



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Eligibility

PROJECT SIZE

Commercial Projects:

- Minimum project size reduced from 100,000 square feet to **50,000 square feet or 25,000 square feet if in a GRM**. Or if solely a **health care or health services center in eligible location, 10,000 square feet.**

Transformative Projects:

- Minimum project costs increased from $100 million to **$150 million.**
- Minimum commercial project size remains **500,000 square feet** or
  - **300,000 square feet in an enhanced area**
  - **200,000 square feet in a GRM**
  - **250,000 square feet for film production**
- Minimum residential project size of **700 or more new units**
- Minimum mixed-use project of **30,000 or more square feet of commercial space which may include retail space,** plus:
  - 200 new units in a GRM
  - 300 new units in an enhanced area
  - 400 new units anywhere else eligible

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Affordability Controls

Any project with residential units must set aside at least 20%

Affordability Controls

- The legislation requires that the affordability controls in Aspire **"at a minimum, be consistent with the affordability controls established in the rules and regulations adopted pursuant to the "Fair Housing Act" ...including, but not limited to, any requirements concerning the bedroom distributions, affordability averages, affirmative marketing, and long-term deed restrictions of residential units constructed for occupancy by low- and moderate-income households."**
- The bedroom distribution for restricted units that are not age-restricted shall be as follows:
  - The combined number of studios and one-bedroom units is no greater than 20 percent of all restricted units
  - At least 30 percent of all restricted units are two-bedroom units
  - At least 20 percent of all restricted units are three-bedroom units
  - The remainder, if any, may be allocated at the discretion of the developer
- At least 50 percent of the restricted units within each bedroom distribution shall be low-income units (50% of area median income) and the remainder may be moderate-income units (between 50% and 80% of area median income), provided that at least 10 percent of the restricted units shall be very low-income units (30% of area median income)

Net Benefit Test

Net Benefit Test

- All commercial projects are required to undergo a net benefit test
- The test includes the direct, indirect, and induced benefits to the State, including local taxes that may benefit the State, and may include induced benefits derived from construction.
- Threshold is **160%**
  - **125%** for GRMs, research or tech focused incubators of at least 50,000 square feet, properties that are awarded state or federal historic tax credits, or major cultural institutions.
  - Exceptions: Food delivery source or health service center as defined in program rules.

Fiscal and Resident Protections

COMMUNITY BENEFITS AGREEMENT (CBA)

Required for most 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
  - Exceptions included in the new legislation
    - Fully affordable projects in GRMS
    - If a municipality wishes to waive the requirement via resolution
- 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

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Fiscal 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 NJHMFA and NJEDA can sell credits* ***for no less than 75 percent of their nominal value***
- ***New –*** *The Department of Treasury may purchase unused tax credits awarded under the Aspire program, including tax credit transfer certificates issued by the director in lieu of a tax credit allowed under the program. The director shall pay an amount equal to 85 percent of the credit amount.*

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