

This Cultural Arts Facilities Expansion Program (CAFE) “Frequently Asked Questions” (FAQ) resource is intended to help anyone interested in CAFE to better understand how the program works. The FAQ is an effort to help readers understand key information points from the rules and application and to help clarify terms that may be challenging to understand without a background in legislative, administrative, and regulatory language use.

**THIS FAQ DOES NOT SUMMARIZE ALL THE INFORMATION IN THE STATUTE OR RULES. READERS CANNOT RELY ON THIS FAQ FOR COMPREHENSIVE ANSWERS. READERS ARE RESPONSIBLE FOR REVIEWING THE PROGRAM RULES.** The CAFE program rules are available [here](#).

### **Top 10 Questions**

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## **Section 1 - Eligibility**

**How do I know if I am eligible for the program?** A few of the key eligibility requirements are below, but this list is not all-inclusive. Please refer to the program rules:

- The cultural arts project must have eligible project costs of at least \$5 million.
- The applicant must be a cultural arts institution which will have ownership or lease space in the cultural arts institution facility and will operate the facility, and the facility will be open to the public.
- Non-profit and governmental applicants must have a primary mission and specific policy goal of cultural, arts and cultural education, or artistic enrichment of the people of New Jersey.
- The project must have a project financing gap, which includes consideration of the project's reasonable and appropriate return on investment.
- With limited exceptions, construction can NOT have commenced prior to the submission of the application, unless the Authority determines the project would not be completed without the tax credit. There are specific exceptions for demolition, remediation, and correction of a health, safety, or other hazard (if ordered by an official). Further details about the parameters for the Authority to determine whether a project would not be completed without the tax credits are provided in [the May 13, 2025 Board Memo](#).
- Construction must be completed within 4 years of executing the tax credit award agreement.

**Who is eligible to apply to this program?** The program is open to entities that meet the definition of a cultural arts institution. For reference, the definition from the rules is provided below:

“Cultural arts institution or “applicant” means an entity which has the primary mission and specific goal of cultural, arts and cultural education, or artistic enrichment of the people of this State and is one of the following:

- (1) governmental entity
- (2) nonprofit
- (3) governmental economic or community development entity that is incorporated pursuant to Title 15 of the Revised Statutes or Title 15A of the New Jersey Statutes, operating on a not-for-profit basis.

A cultural arts institution shall also include a for-profit business seeking a tax credit for a cultural arts institution facility that is open to the public provided that the cultural arts institution facility is receiving a federal historic rehabilitation tax credit, pursuant to the Federal Internal Revenue Code of 1986, 26 U.S.C. § 47, or a tax credit pursuant to the “Historic Property Reinvestment Act,” N.J.S.A. 34:1B-270 through -276.”

A for-profit applicant does not need to have a primary mission of arts and culture. However, a for-profit applicant must provide proof that they are receiving a federal or state historic tax credit.

**What if I don't meet the definition of a cultural arts institution, can I still apply?** An applicant must meet the definition of a cultural arts institution to be approved for tax credits.

**Which locations in New Jersey qualify for CAFE program funding?** Sites throughout New Jersey are eligible for the program.

**What is an eligible project?** An eligible project must be a cultural arts institution facility, within the state of New Jersey, that is operated and maintained by a cultural arts institution and is open to the public. Projects can include construction of new facilities, rehabilitation, and/or expansion of facilities.

A “cultural arts institution facility” includes, without limitation, an aquarium, botanical society, historical society, library, museum, gallery, performing arts center, arts-based community centers, or any related facility that is principally for the support and benefit of any of the foregoing. The term “cultural arts institution facility” does not include facilities predominately used for athletics, recreation, and non-arts based community centers.

A Cultural Arts Institution may not lease out or sublease out (or reduce the institution's tenancy or space) more than 40% or 15,000 square feet or more of the facility, whichever is less.

**What does primary mission mean?** The primary mission is the central aim or purpose that guides the activities and decision-making processes within an organization. It represents the foundational goal around which the organization is structured, particularly focusing on cultural, arts and cultural education, or artistic enrichment. It is the driving force behind the organization's strategy and

operational initiatives. This primary mission must be reflected in the organization's mission statement, strategic objectives and by-laws.

**What does open to the public mean?** P Open to the public means that anyone from the general public can access the facility without needing a special membership, invitation, or appointment. Access may be ticketed or limited to certain hours. For cultural arts facilities, the requirements are:

- o Exhibition facilities (Museums): Open at least 20 hours per week on average.
- o Performance venues (Theaters): Hold at least 4 live events per month on average.
- o Arts education facilities: Offer educational programs, workshops, or classes at least 4 times per month on average.
- o The Authority may determine other standards of “open to the public” either based on a standard generally accepted by custom or practice or due to unavoidable closures or other circumstances.

**Does the applicant need to own the site?** No, the applicant does not need to own the site; they may lease the site instead. The applicant is required to own or lease the facility and is required to operate the facility for the 5 year “eligibility period” and that includes the provision that the project meets the definition of “open to the public.” If the applicant has not secured access to the site at the time of application, the applicant must provide the status of ownership or lease at application and any agreements that provide a right of access to the cultural arts institution or an affiliate to perform and complete the project. This means when an applicant submits an application, they will need to have a Letter of Intent (LOI) (dated and signed by both parties (applicant and property owner)) or some other agreement (dated and signed by both parties (applicant and property owner)) that shows that the property owner will provide the necessary right of access and control to complete the cultural arts project and to operate the project during the 5-year eligibility period. The applicant will need to have an executed lease or ownership document as a condition of approval (within 1 year of Board approval).

**Do I need to obtain a letter of support from the governing body or the chief executive of the municipality(ies)? What constitutes a governing body or chief executive?** Yes, the applicant is required to submit, with the application, a letter of support from the governing body or chief executive of the municipality(ies) where the cultural arts institution facility is located. Because there are variations in governance structures within NJ municipalities, NJEDA uses the general language of governing body or chief executive. Generally, this means a municipal council or mayor. This does not include a business administrator or city clerk.

Letters of support do not require the municipality to make any statements about the feasibility or likelihood of the project receiving a temporary certificate of occupancy (TCO) within four years. However, in the letter, the municipality should acknowledge that the municipality is aware of the CAFE program requires the cultural arts institution to complete the project and obtain a temporary certificate of occupancy (TCO) within four years of the cultural arts institution executing a tax credit agreement with NJEDA. The scoring rubric for CAFE awards points if the letter of support also explains how the project aligns with the municipality's development goals. Therefore, applicants who wish to receive points for this category should ensure that this letter details the project's alignment

with municipality's development goals and addresses any potential inconsistencies between the project and existing land use regulations.

**Will I be required to demonstrate that a project financing gap exists?** Yes, the applicant will need to demonstrate that a project financing gap exists. The applicant will also need to provide documentation to verify all sources of funding and/or subsidies to cover the total project cost. Letters of Intent and Term Sheets are to be signed by the financial institute that offers them and should include an expiration date (showing the deal is current and should not expire until after the anticipated board approval date (which is anticipated to be approximately six months after application submission)), as well as terms, including the amount. The applicant will need to provide documentation showing proposed monetization of tax credits, including sale price of at least 85% of its value and any agreements in place.

**Can you define "Financing Gap"?** Project financing gap means 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, including, but not limited to, equity. A project financing gap isn't a mismatch between the sources (of funding and revenues) and uses (expenses), rather, it is focused on the return on investment. The program allows for a "Reasonable and appropriate return on investment," which is defined as the discount rate at which the present value of the future operating cash flows of an investment equals the cost of the investment. This means, a fair and justifiable profit based on the project's specifics, including location, market conditions, and risk factors is allowed. This ensures that the applicant can recoup their costs while not generating excessive profits at the expense of the public benefit; essentially, a return that is considered fair and not overly lucrative.

**How do I calculate the Internal Rate of Return?** Please see the instructions in the [Project Economics Section – Additional Guidance](#).

**Does my project need to meet the minimum environmental and sustainability standards?** Yes, minimum environmental and sustainability standards (i.e. green building standards) must be met for this program. You can view and download the [Green Building Standards Manual here](#). At the completion of the construction of the project, the applicant must submit a certification from a licensed design professional that the project has adhered, in all material respects, to the plan submitted by the cultural arts institution describing how the cultural arts institution would satisfy the minimum environmental and sustainability standards.

## Section 2 General Application Process

**Where can I find the CAFE application?** You can find the online application at [NJEDA Programs](#). Once you are logged into the NJEDA online application center, select the "Cultural Arts Facilities Expansion (CAFE)" program. If you are a first-time user, you will need to register before you can log in. Returning users can simply sign in. If you have any questions about accessing the application, please contact customer care at [customer care@njeda.gov](mailto:customer care@njeda.gov) or call (844) 965-1125.

**What items do I need to apply?** NJEDA has developed a checklist ([CAFE application checklist](#)) to help applicants prepare for filling in an application. This checklist is intended to serve as a starting point and is not an exhaustive list of all the requirements included in the CAFE application. Before

beginning the application, identify the following roles: the applicant, the lead development entity (acting as the developer), any co-applicants (if applicable), and any affiliates (if applicable).

**Who do I reach out to if I have questions before I apply?** For more information or to ask questions before the application window opens, please email [cafe@njeda.gov](mailto:cafe@njeda.gov). A team member will contact you. Once the application opens, due to the competitive nature of this program, inquiries must be directed to [Cultural Arts Facilities Expansion Program \(CAFE\) Question Request](#). NJEDA will not provide direct responses to inquiries submitted through this form. Instead, answers will be posted publicly on our program [website](#) under the "Questions and Answers" section. NJEDA anticipates updating the responses on a weekly basis, as needed. All applicants are responsible for reviewing these responses as well as the FAQs and program rules thoroughly.

**What happens if I miss information in my application after I submit my application?** Applications missing required documents or information, including applications submitted with placeholder documents and/or acknowledgements that the requested materials will be provided separately, will not be deemed complete. Before you submit the application, you will be able to go back to a section that has already been completed and make changes. However, you will not be able to make changes once you hit the "submit application" button at the very end of the application. Refer to the sample application slides at [FINAL-CAFE-Sample-Application-Webinar-03-21-25.pdf](#) to further understand the format of the CAFE application.

If the program is undersubscribed, Applicants who have submitted a substantially complete application by the deadline may have the opportunity to cure deficiencies.

**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.

**Can someone complete my application for me?** The applicant is solely responsible for the application's contents and will need to certify the application for submission. If the applicant is using a consultant to assist, the consultant information must be provided on the application.

**Do I need a consultant to apply to the Program?** There is no requirement for an applicant to use consultants to either prepare or submit an application. However, the application requires submittal of a significant amount of detailed information, and applicants may want to consider engaging consultants to aid in the preparation of specific documentation needed for the application.

**How do I know that I have submitted an application?** After the application fee is paid either by credit card, check or wire, the applicant will need to complete the final few pages of the on-line application which involve digitally signing and submitting the application to NJEDA by clicking on the "Submit Application" button. Once the applicant submits their application, they will get a confirmation acknowledgement both on the application portal and by email (sent to the Primary Point of Contact) including the applicant's confirmation number. Communications will be sent to the email provided in the application. Applications are not deemed complete by NJEDA until submitted by the applicant.

**Can I wait until the last day to complete this application?** Not recommended. The CAFE application process is detailed and may take some time to complete. You can save your work and

return later to continue your application. Once the deadline has passed, you will not be able to submit your application, regardless of your progress.

**Can I pay with a check?** YES, you can pay with a check although payment by credit card is preferred. If mailed, please be advised that checks must be postmarked by the application deadline and the check must be received by NJEDA within 14 calendar days of this deadline. The mailing address is Attention: CAFE Program, NJEDA, PO Box 990, Trenton, NJ 08625-0990; the street address for hand delivery and courier services is: CAFE Program, NJEDA, 36 West State, Trenton, NJ 08625. Hand-delivered checks must be received by the application deadline at NJEDA, 36 West State Street, Trenton, New Jersey. Please include the application ID number (CAPP #) with your check.

**Will I receive a copy of my submission?** YES, you will have access to a PDF of the application after submission. PDFs will be available by going to your portal account and clicking on the common application ID link (aka "CAPP" record) for the application to download a copy of the PDF. Please note that only the content of the application will be provided in the PDF. Your uploads (attachments) will not be included in the PDF.

### Section 3 - Additional Application Information

**Do I need to provide a tax clearance certificate for an applicant, co-applicant, and lead development entity?** YES. A current tax clearance certificate must be provided at time of application to demonstrate that the applicant, lead development entity (if different than the applicant), and co-applicant (if applicable). The tax clearance certificate also serves to demonstrate substantial good standing with the NJ Division of Taxation. A tax clearance certificate can be printed directly through the [Premier Business Services portal](#). The tax clearance certificate must include the NJEDA as the referenced agency. For troubleshooting and questions regarding your tax clearance, call 609-292-9292 or email [businessassistancetc.taxation@treas.nj.gov](mailto:businessassistancetc.taxation@treas.nj.gov).

**Do I need to supply a property appraisal with the application?** YES, the applicant needs to provide both an "as is" and "as completed" appraisal by a NJ licensed third party Appraiser at the time of application which must be dated within 12 months before the application submission date. If the applicant is including building acquisition as a project cost, the appraisal must also show the value of the building, separate from the value of the land. If an applicant is not using the property value as equity, an independent third party broker's opinion may be substituted for the appraisal, provided that both the individual providing the broker's opinion and the principal in the firm that is providing the broker's opinion certify the opinion, and both the firm and individual are NJ licensed brokers. For projects that will be leased for 30 years or more, the market value of the lease (as determined by a third-party NJ licensed Appraiser) may be substituted for the "as is" part of the appraisal.

**Will I be required to supply a market/feasibility study for my project?** YES, a Market Study by an independent third party which must be dated within 90 days before application submission is required. This study must include the third party's position regarding the marketability and underwriting of the revenue and expense components of the proposed cultural arts project through the duration of the 5- year eligibility period. Recommended sections include market overview, target audience analysis, competitive analysis, project assessment, marketing strategy, and financial analysis. In addition, the market study must provide a narrative that demonstrates: the demand for a



cultural arts institution facility at the proposed project site and why it is expected to be successful. The study must also demonstrate that the cultural arts institution either has a strong prior track record of success or provide an independent analysis that demonstrates that a newly formed cultural arts institution will be successful.

**Can you please explain what is meant by the question in the application that asks: Are there any approvals, obligations, and responsibilities with the NJDOL, NJDEP, and Dept of Treasury with which the applicant, lead development entity, and co-applicant (if applicable) is associated with, or have an interest?** The Authority is required to verify that the applicant, co-applicant, and Lead Development Entity are in substantial good standing with the New Jersey Department of Labor and Workforce Development, the Department of Environmental Protection, and the Department of the Treasury. For this question, obligations generally refer to permits and but can include other obligations, such as agreements or consent decrees. The permits and approvals or obligations and responsibilities, with which the cultural arts institution (applicant), lead development entity and co applicant (if applicable) are associated, or in which they have an interest will be required to provide this information in the "Applicant Organization - Continued" section. A [fillable spreadsheet](#) is provided in this section to identify the entity that applied for or received such permits, approvals, obligations and responsibilities by program interest numbers or licensing numbers.

**Does the ownership question in Ownership-Site Control section apply to my application?** This question is applicable only to For-Profit Entities that are applying to this program. If the applicant is a For-Profit Entity, then provide an organizational chart on ownership and participation/operating agreement for the applicant organization and members as described in that section of the application.

**Are land use plans required?** Submittal of land use plans and other plans (such as site plans, elevation views, and/or presentation materials presented in municipal review settings) is optional but strongly recommended; such submission will facilitate review of the application. Proof of municipal site plan approval will be required within 1 year of board approval. The Project Approach section asks for site plans, project elevation views, and/or presentation materials presented in municipal review settings to help NJEDA understand the details of the project. The Project Construction and Schedule section requires information that shows whether the cultural arts project aligns or does not align with the adopted municipal land use policies and plans. If there are inconsistencies, include evidence of the municipality's intent to modify these policies to accommodate the project.

**Can you please clarify what information the NJEDA is requiring in the Project Approach section of the application, regarding the usage and square footage of the proposed project?** In this section, the applicant needs to provide details about the usage and area of the facility. Specifically, you must include:

1. A floor plan showing the uses and square footage for the cultural arts project.
2. A table listing the uses and related square footage for tenants and subtenants.
3. The total square footage of both the cultural arts institution facility and the improvements constituting the capital project of the cultural arts project. The cultural arts facility is the existing or proposed facility whereas the proposed capital project (at least \$5 Million) is the

construction or improvement to the cultural arts facility. Both definitions and requirements related to each are available in the [CAFE program rules](#).

4. Plus, if the cultural arts facility comprises multiple buildings or portions of multiple buildings, a site plan is also required.

Please note that there is a limitation on leasing, subleasing, or otherwise reducing the size of any leased premises used as the cultural arts institution facility. A Cultural Arts Institution (applicant) may lease out or sublease out (or reduce the institution's tenancy or space) up to 40% or 15,000 square feet of the facility, whichever is less.

**If the applicant is a for-profit, the applicant must provide evidence that they are receiving a federal or state historic tax credit. What is required in the application?**

1. Proof that the applicant has applied for and is expected to receive a NJ historic tax credit. The applicant will need to provide a NJEDA Application CAPP number to prove they submitted an application or an approval letter, OR
2. Proof that the applicant has a federal historic tax credit Part I or Part 2 **approval** by the NJ State Historic Preservation Office or National Park Service. The determination of whether a Part 1 approval or Part 2 approval is required for the CAFE application is dependent on the content of Part 1 approval. When a project is looking to apply for Federal Historic Tax Credits, they must submit a Part 1 unless the building is already listed in the National Register and the listing is for an individual (single) building. For CAFE, buildings that are listed individually would need an approved Part 2, but buildings that are either not yet listed, or listed as part of a district or a multi structure/building nomination would meet the requirement with an approved Part 1.

Applications that don't meet the above requirements (at time of application submission) are not eligible at time of application.

**What is the purpose of asking about the projected number of construction and permanent jobs in the capital investment project costs section?** This information is solely for NJEDA reporting purposes and does not affect the scoring or eligibility of the application.

**What information is needed and how does the applicant provide information on sources of funding?** Information should be provided in the Project Economic section of the application for each funding source including the name of funding source, funding source type, description, funding amount, and documentation supporting the funding source. If your project plan involves monetizing the tax credit (that is, selling tax credits to bring cash into the project), you must explain how you will do this and include the details in the Sources of Funding section of the application. For example, are you bringing the proceeds from the sale of the tax credits into the project each year? Or are you using a bridge lending source (such as a tax credit investor, bank, syndicator, or other) to monetize the credits and help finance the construction? You must include the details of each deal and include letters of interest and/or term sheets that are signed, dated, and contain specific terms of the deal (e.g. such as the quantity of tax credits the buyer intends to purchase and the price, the valuation of the tax credits, and/or terms for loans (dollar amount, loan terms, interest/discount rates and fees),



etc.). Backup documentation for all funding sources is required. Project loans need to be listed in the Funding Sources table including backup documentation. Development subsidies must be listed in both the Development Subsidies table and the Funding Sources table. However, documentation for these subsidies only needs to be upload in the Funding Sources table. The Co-Applicant is required to list their subsidies in the Co-Applicant section of the application. This Co-Applicant information is also required in the Funding Sources Table in the Project Economic section.

At time of application, at a minimum, a letter of intent or commitment is required for each funding source, which must be signed and dated (or fundraising plan, for fundraising). Executed financing commitments (including capital raised via fundraising) will be a condition of Board approval and will be required within one year of Board approval.

The applicant will have to provide all sources of funding in the Project Economic section as described above. The sources of funding must equal the total project costs shown in the Project Cost Analysis Worksheet from the Capital Investments-Project Cost section.

**Can I apply with multiple parcels for my project?** YES, an applicant may submit multiple parcels of land as one cultural arts project. To make this determination, the Authority will assess the facts of the proposed project to determine whether the capital project proposed in the application is one project, based factors, including, but not limited to the following. First, the sites must share the same development team, financing plan, and contracts, including contractors. Second, the operational aspects of the sites need to be consistent across all locations. Third, whether the sites have a common operation; the applicant must explain how sites that are not proximate have a common operation even though the sites are distant. There is an application field for multiple lot information (in the General Project section) which will also include a field to identify the parcel that is the primary location.

## Section 4 - Eligible Costs and Use of Incentive

**What costs are eligible and ineligible for this program?** The eligible program costs generally include the construction costs and soft costs incurred by the applicant or affiliate in connection with the cultural arts project, and which were incurred after application submission (see exception below for prior soft costs). However, the definition is detailed and readers must review the [CAFE program rules](#) for such details.

The cost of acquiring land for projects is not an eligible cost for reimbursement with CAFE tax credit awards. The cost of acquiring a building is considered an eligible project cost if the acquisition occurs after the application is submitted but only up to the amount equal to the total of all other eligible project cost.

- The funding of capital reserves is not an eligible cost for CAFE program tax credit awards.
- Other costs not eligible under the CAFE program include but are not limited to:
  - Soft costs beyond 20 percent of project costs;
  - Vehicles and heavy equipment not permanently located at the site;

- Incentive consultant fees, NJEDA fees, loan interest payments on permanent financing, escrows, reserves, pre-opening costs, or other similar costs; and
- Costs incurred prior to application, with the exception of soft costs that were incurred within the 12 months prior to application. Soft costs incurred within the 12 months prior to application are eligible project costs, but are subject to the 20 percent soft cost cap.

If the cultural arts facility is part of a larger complex, shared structures or improvements can be counted as project costs only in proportion to the cultural arts facility's share of the total square footage of the large facility.

To be eligible, project costs must be incurred by the cultural arts institution or their affiliate. The Authority will also evaluate the project cost, in aggregate or for any component of the project, against reasonable market costs and comparable redevelopment projects.

**What is considered soft cost?** Please refer to the [CAFE program rules](#) for details. "Soft costs" include project costs for expenses not directly related to construction. They may include capitalized interest paid to third parties, real estate taxes, utility connection fees, accounting, title/bond insurance, and fixtures/equipment with a useful life of five years or less. Additionally, soft costs cover financing, design, engineering, legal, and real estate commissions, such as architect fees, permit fees, loan origination and closing costs, construction management, and freight and shipping delivery. These costs can be incurred up to 12 months before applying. However, soft costs do not include expenses like early lease termination, travel costs (airfare, mileage, tolls, gas), meals, packing materials, marketing and advertising, temporary signage, incentive consultant fees, Authority fees, loan interest on permanent financing, escrows, reserves, pre-opening costs, commissions and fees to the applicant not part of the project cost, project management, or similar costs.

Soft costs can make up to 20% of the total project costs. Any amount beyond this limit is not eligible for the tax credit award. However, these excess soft costs must still be included in the total project costs when calculating project returns.

**What are "Total project costs"?** Please refer to the [CAFE program rules](#) for details. Total project costs means any and all costs incurred for and in connection with the cultural arts project by the applicant and any affiliate of the applicant until the issuance of a permanent certificate of occupancy, or upon such other event evidencing project completion as set forth in the incentive grant agreement, which shall include, but is not limited to, project costs, soft costs, and cost of acquisition of land and buildings. Total project costs include eligible and ineligible project costs.

**Can preparation of a market/feasibility study be considered a soft cost?** YES, a market/feasibility study is considered a soft cost.

**What is meant by "pro rata share" in the application?** When a Cultural Arts Institution Facility is part of a larger complex, costs for shared structures or improvements (such as foundations or parking lots) can be included in the project costs only in proportion to the Cultural Arts Institution Facility's share of the total square footage of the larger facility. Applicants must specify in the Project Cost Analysis Worksheet if an item is part of a pro rata share.

**Can I perform environmental remediation and demolition prior to submitting an application?**

YES, you can conduct both environmental remediation (for the site and building) and demolition before submitting your application. However, it's important to note that any work done before the application is submitted will not be eligible project costs for the tax credit. These activities become eligible project costs only when conducted after the application is submitted.

**Would construction cost of the subleased space be included as project costs for purposes of sizing the tax credit?**

The construction costs of subleased space may be considered part of the project costs for determining the size of the tax credit. To be eligible project costs, costs must be incurred by the Applicant (or Affiliate). The NJEDA retains the discretion to assess each situation on a case-by-case basis, based on the details and facts involved.

**Are the future operating cash flows used to demonstrate the existence of a project financing gap exclusive to the project seeking the tax credit approval? Would an expansion of an existing facility be limited to net new revenues OR include existing revenues and new revenues?**

All revenues, including existing and new revenues, of the cultural arts institution facility must be included. This includes but is not limited to, the Cultural Arts Institutions Facility's income at the Cultural Arts Institution Facility from various sources, including ticket sales, grants, donations, sponsorships, merchandise, and program fees, minus its expenses, including salaries, rent, production costs, and administrative expenses. Income for purposes of this definition shall not include the proceeds of the sale of the Program tax credits. Expenses for purposes of this definition shall not include debt service.

**Are rents achieved from subletting included in the analysis of a project financing gap?**

Rents from subletting are included in the analysis of a project's financing gap.

**Am I allowed to include a cost contingency in my project cost estimate?**

YES, the program application process allows for an applicant's cost estimate for eligible project costs to include a cost contingency. All cost estimates submitted, including the proposed contingency, will be thoroughly reviewed, and validated by the NJEDA as part of the cost reasonableness review process. When the capital project is completed, eligible project cost includes only actual construction cost and excludes any remaining unspent contingency.

**What if my actual costs exceed the amount approved by the NJEDA Board?**

The maximum tax award is determined at the time of Board approval. Eligible costs will be verified with paid receipts upon the completion of the eligible work. The awarded amount will be based on the paid receipts, and the total amount will be capped at the approved award limit.

**What if a project receiving CAFE tax credits does better than expected, does its "excess profit" need to be shared back with the State of New Jersey?**

Yes if the tax credit recipient is a for profit entity. Please refer to the CAFE program rules for details. For every project receiving tax credit awards under the CAFE program, NJEDA is required to determine a "reasonable and appropriate return on investment." If a for profit entity's project's returns exceed the reasonable and appropriate return on

investment set by the NJEDA Board at project approval by more than 15 percent, the applicant will be required to pay 20 percent of the proceeds above that amount, which funds will be deposited in the State General Fund.

**When will I receive the tax credit?** The tax credit is issued after the project construction is completed and upon satisfying the terms of the tax credit agreement. Additional elements that will be satisfied include final cost certification, compliance with green building standards, and confirmation that prevailing wage rules have been followed. The tax credit is issued in 5 equal annual installments during the eligibility period.

**Can I sell the tax credit?** YES. The tax credit may be transferred one time only. The floor for the tax credit transfer to this program is 85 cents on the dollar.

The purchaser of the tax credits may use those credits for themselves, for their own NJ Corporate Business Tax or Insurance Premium Tax liabilities. Each credit can be sold only once, but during that sale, it can be divided and transferred to multiple entities in amounts as small as \$25,000, however a transfer fee applies to each transaction. In all instances, the annual issuance of the tax credits will be subject to NJEDA review of the applicant's compliance with the obligations set forth in the CAFE program rules.

**Is the tax credit payable as a tax refund check if the entity has no or limited tax liability for that year?** NO, the tax credit is not refundable. Additionally, the tax credits are subject to the order of priority of the application of the credit allowed as determined by the Director of the Division of Taxation and all laws otherwise applicable to tax credits.

**Is the internal rate of return calculated based on leveraged (equity calculation) or unleveraged (total project cost calculation) returns?** The IRR will be calculated on the unleveraged returns.

**How can an applicant turn CAFE tax credits into funding or financing for their project?** The NJEDA does not broker, facilitate, or otherwise engage in the sale or transfer of CAFE tax credits, other than to approve such sale or transfer based on the requirements in the rules and statutes. Potential applicants may consider working with a consultant to obtain specific advisory services.

CAFE tax credits can be sold directly or with the assistance of a broker. The cultural arts institution is responsible for identifying the broker or purchaser and otherwise structuring the monetization of the tax credit. Additionally, the purchaser must have an IPT or CBT liability. However, no tax credit can be sold without application to and approval by the Director of the Division of Taxation and the Authority, and all sales are subject to the conditions and restrictions in the rules and statute. Such conditions include that the tax credit can only be transferred or sold one time, a minimum transfer increment of \$25,000, payment of a fee per transfer, and a minimum price per tax credit.

**Why does NJEDA need information about a bridge loan and tax credit syndicator?** Because the tax credit is awarded after the completion of the cultural arts project, the applicant will need to demonstrate how they are bridging the gap for funding the construction work between the time the work is performed and the time the tax credit is awarded and monetized during the eligibility period (5 year operating period). This is necessary to meet the requirement to demonstrate that a project

financing gap exists. Documentation, such as a letter of intent, is required that shows the tax credit will be sold for at least 85% of its value.

## Section 5 - Application Review and Board Decisioning

**How will applications be scored?** The CAFE scoring system has been developed by the NJEDA, in consultation with the New Jersey State Council on the Arts. Applications will be reviewed and scored based on the following factors:

1. Amount of tax credits requested compared to tax credits required for completion of the project
2. How the project will advance State, regional, and local culture and arts goals in underserved communities
3. Relationship of the cultural arts project to a comprehensive local development strategy
4. Job creation and economic development
5. Economic and social distress in the vicinity
6. Full time jobs created by the Cultural Arts Institution Facility, based on the type of construction and the assumption of job generation of such construction
7. Approach and plan for affordable and accessibility offerings to the general public
8. Diversity of board of directors and its representativeness of the community

To receive tax credits, an application for the initial round must meet a minimum score of 40 out of a possible maximum 100 points. Applicants may elect to opt out of some of the scoring criteria and still be scored on the other factors. Should the program be oversubscribed, applications will be ranked based on score. Additional information on scoring criteria can be found in the [CAFE Program Project Scoring Criteria](#).

**How long is the approval process from start to finish?** NJEDA does not have a specific timeframe to review the applications. The review process under the program can be extensive and requires NJEDA Board approval. The multidisciplinary review of all applications include: review for substantial good standing with the Departments of Labor and Workforce Development, Environmental Protection, and the Treasury, debarment/disqualification review, review of eligible costs, underwriting review, and evaluation and scoring of scorable criteria. During the application review, the applicant may receive email updates as specific review milestones are reached. Additionally, an applicant may be contacted by NJEDA staff with requests to provide clarification of some of the information provided as part of your application. As a result, from the date the application window is closed, it may take six months or more to receive an approval. All approvals and declinations under the program require NJEDA Board approval and are subject to a Governor's veto period (approximately 2 weeks after the Board meeting date). Therefore, no approval will be final until Board approval and expiration of the Governor's veto period. Following approval and conclusion of the Governor's veto period, you will receive an approval letter that outlines all requirements and conditions to your approval.

**What is an approval letter?** Upon Board approval of the project, an approval letter will be issued with conditions that must be met by the applicant and any co-applicant within one year after board approval. Additional details on the approval letter may be found in the [program rules](#) at 19:31BB-8.

**How do I know if, and when I am approved?** Once review of your application has been completed, NJEDA staff will contact you to let you know about the outcome of your application review. Projects proposed for approval will be required to pay the corresponding Approval Fee prior to Board approval. Following conclusion of the meeting, and once the Governor's veto period has expired, you will receive an approval letter that outlines all requirements and conditions to your approval. In the event that the Board denies your application (or vetoed by the Governor), your Approval Fee will be reimbursed.

**Can decisions be appealed?** An applicant may appeal the Board's action by submitting in writing to NJEDA, within 20 calendar days from the effective date of the Board's action, an explanation of the grounds for such an appeal. Detailed appeal process can be found within the rules for the program, under N.J.A.C. 19:31BB-14.

## Section 6 - General Program Information

**What are the Program fees?** Program fees have been calculated based on the anticipated level of effort needed to conduct review of applications. Fees have been set up using a 2-tier fee structure, based on project size (as determined by total project costs). Detailed information on fees, which includes a list of program fees and tables showing fee amounts, can be accessed at: <https://www.njeda.gov/cafe/#4>

Application fees are \$5,000 for projects with total project cost of less than \$20 Million and \$10,000 for projects with total project cost of \$20 Million or more. The application fee is due at the time of application submission via credit card, check, or wire and is non-refundable, regardless of whether the application is approved.

The following fees also apply to this program: approval, issuance/certification, annual servicing, transfer/assignment, minor and major modification when applicable, 6- month extension (post agreement), and termination. Details are provided in the CAFE program rules.

**What is the minimum and maximum amount that an eligible entity can apply for?** The CAFE Program awards tax credits via a competitive application process up to 100% of eligible project costs. The minimum project size is \$5 Million in eligible project costs, and the maximum project award is \$75 Million.

**Can CAFE tax credits be combined with other funding sources/programs to fill project financing gaps?** Applicants may leverage funding and incentives from other programs; however, eligible costs must not be duplicated between programs. When eligibility and timing allow, the applicant can combine/stack the CAFE program with other sources. The Authority will not subsidize more than 100% of eligible project costs. Because the CAFE program provides a 100% tax credit, there must be clear distinction between the CAFE project and other funding sources (both NJEDA funding sources and non-NJEDA funding sources). For example, a developer may use Aspire for non-CAFE expenses, for example Aspire could be used to build the core and shell of a larger facility, and then the cultural arts institution may use CAFE funding for building out the space into a theater.

**Do I have to contribute equity to the project?** Yes, the minimum required equity contribution is 10% of total project costs for projects in Government Restricted Municipalities (Atlantic City,



Paterson, Trenton), and 20% of total project costs for projects located elsewhere. *You will be required to provide documentation to verify sources of equity.*

Equity must be “applicant-contributed” capital. An affiliate can’t contribute equity merely because it is an affiliate, but any member of the ownership structure of the applicant can contribute equity. So, an affiliate could contribute equity if they are a member of the ownership structure of the applicant.

**What specific non-tax credit sources may be counted toward an applicant’s contributed equity in a project?** In the CAFE Program, "Equity" refers to capital contributed by the applicant to the cultural arts project. This can include cash, donations or other funds raised by the institution, costs for project feasibility incurred within 12 months before applying, the property value (minus any mortgages) if the applicant owns the site, and other investments in the project acceptable to NJEDA. The property value is determined as the lesser of the purchase price (if bought within 12 months of application) or a current appraisal, and it cannot constitute 50% or more of the equity. Equity can also include federal, state, or local grants and proceeds from federal or local tax credits. However, it does not include economic subsidies from the NJEDA, such as grants, tax credits, or proceeds from redevelopment area bonds.

If sufficient equity is available at application, no fundraising plan is needed; otherwise, a fundraising plan is required and may be considered an acceptable source of equity. The fundraising plan would be submitted at time of application, and the applicant will have one year after board approval to raise the capital.

**Do Prevailing Wage and Affirmative Action requirements apply?** YES. Prevailing wage and affirmative action requirements apply to all construction and building services work performed in connection to the cultural arts project. The prevailing wage and affirmative action obligations extend to work performed at the cultural arts institution facility regardless of the party who is contracting with the contractor or subcontractor performing the work.

The prevailing wage requirements cover construction contracts, including fixtures and permanent installations like sculptures and art. The prevailing wage rules are applicable to construction work at the cultural institutional facility from the application submission through the end of the eligibility period. That is, if any further construction at the cultural institution facility should be required during the 5-year eligibility period, workers engaged in that construction also must be paid prevailing wages, and evidence of that provided to NJEDA. “Construction” is expansive for purposes of prevailing wage and encompasses, among other activities, construction, reconstruction, demolition, alteration, duct cleaning, repair work, or skilled maintenance work, including painting and decorating, millwork fabrication, remediation, removal of hazardous substances, custom fabrication, excavation, grading, pile driving, concrete form, or other types of foundation work.

In addition, work that is subject to prevailing wage requirements is also subject to the Public Works Contractor Registration Act (see below).

Prevailing wages must be paid for building services (including, but not limited to, routine maintenance work, janitorial, and cleaning services), from the application submission until the end of eligibility period.

There are specific exceptions to prevailing wage for certain construction contracts for a cultural arts project that are tenants of a larger facility, which are based on the lease proportion. If the lease is 35% or less of the facility, the prevailing wages for construction and building services work do not apply to contracts held by the landlord for the entire facility. If the lease is 55% or less of the facility, building services prevailing wage does not apply to contracts held by the landlord for the entire facility.

The affirmative action requirements begin at application submission and apply for two years after the first certificate of compliance is issued.

**Will I be required to retain a NJDOL Public Works Registered Contractor to perform the work?**

YES. EACH contractor and subcontractor performing construction work that is subject to prevailing wage at the project must be registered under the Public Works Contractor Registration Act to comply with prevailing wage requirements. Non-compliance with this act may result in forfeiting the entire tax incentive award if non-compliance occurs during the capital project or forfeiture of an annual tax credit if it occurs during the eligibility period. Please refer to the prior question and answer about prevailing wage for information on the extent of the applicability of prevailing wage.

Information regarding the Act can be found on the [New Jersey Department of Labor's website: Department of Labor & Workforce Development](#). The prevailing wage requirements, including the public works contractor registration, start at application submission and continue for the 5 year eligibility period, after the construction project is certified as complete.

**Can the EDA provide assistance with my project and application process?** NJEDA staff can provide general information regarding program requirements but cannot assist an applicant in preparing an application or any documentation required to be submitted as part of the application process.

**Is a pre-application meeting with Authority staff required prior to applying to the Program?** A pre-application meeting is not required. However, potential applicants may reach out to the NJEDA's CAFE Team prior to applying to the Program to discuss Program requirements before an application window opens. However, during an open application window, to avoid any perceived unfair advantage in what may become a competitive scoring process, the Authority will not meet with applicants to discuss the project/application. Any inquiries must be directed to [Cultural Arts Facilities Expansion Program \(CAFE\) Question Request](#). NJEDA will not provide direct responses to inquiries submitted through this form. Instead, answers will be posted publicly on our program [website](#) under the "Questions and Answers" section, with identifying information redacted.

**What is the difference between the lead development entity (LDE), co-applicant, and affiliate and what are their roles in the program?** The applicant must be the cultural arts institution. The Lead Development Entity (LDE) is the entity that is responsible for overseeing the cultural arts project and is relied upon by the Authority to demonstrate operational capability, expertise, and experience to complete the project. The cultural arts institution may be the LDE. The Authority shall determine which entity is the LDE by considering the role an entity has in the coordination of activities related to the cultural arts project, including, but not limited to, project design, project financing, permitting and local approvals, construction oversight and contracting, and property management.

Co-applicants allow a for-profit applicant to partner with a non-profit entity which receives the tax credit and, thus, all the tax credit sale proceeds. The co-applicant must have a role in the project and contribute capital, real property, or services to the project, which will serve the anticipated visitors or customers of the Cultural Arts Institution Facility, and the co-applicant must enter into a participation agreement with the applicant. In addition, the co-applicant's receipt and sale of the tax credit must be necessary to finance the Cultural Arts Institution Facility project, therefore the only situations where a co-applicant is allowed is when the applicant is a for-profit entity. If an applicant, is a non-profit, they cannot have a co-applicant.

“Affiliate” means an entity that directly or indirectly controls, is under common control with, or is controlled by a cultural arts institution (the applicant), which is determined based on certain Internal Revenue Code provisions or by the Authority based on clear and convincing evidence. An affiliate of a cultural arts institution may contribute to the project cost and may satisfy the requirement for site control during construction and the eligibility period. However, an affiliate cannot be awarded the tax credit.

**Is site access needed at time of application?** At time of application, the applicant must provide the status of site control for right of access to the cultural arts institution to perform and complete the cultural arts project. If an applicant has not secured a site agreement to the site, then a letter of intent is acceptable at time of application. If an applicant cannot show a clear path for obtaining site control (deed, lease, etc.) within one year of Board approval, it shall be deemed ineligible unless the Authority grants an extension at Board approval to the site control requirement.

**Am I able to start construction prior to submitting an application and receiving approval under the Program?** CAFE awards are designed to encourage new cultural arts projects. The program rules require that Construction has NOT commenced, unless the Authority determines the project would not be completed without the tax credit. There are specific exceptions for demolition, remediation, and correction of a health, safety, or other hazard (if ordered by an official). While soft costs, demolition, and remediation work can be undertaken before applying, the only costs incurred prior to application that are eligible for funding are soft costs incurred within 12 months prior to application (all soft costs are capped at 20% of the project). If corrective work is needed to address health, safety, or other hazards as mandated by building codes or other official with jurisdiction over the site, the NJEDA will consider these as eligible costs. Applicants must provide supporting documentation, including a copy of the official order.

Additionally, the NJEDA may determine that a cultural arts project that has commenced construction prior to application and includes at least \$5 million in NEW eligible project costs (that is, project costs to be incurred after submission of the completed application) cannot be completed without CAFE tax credits. In such cases additional information will be required, including, but not limited to: a detailed explanation on why the project has commenced and cannot be completed without an award of a CAFE tax credit, details on incurred and future capital investment of the project, percent increase in construction costs, information on primary contractors and their subcontractors that have undertaken construction activity at the project site, and details on fundraising efforts to date. Submitting this information does not guarantee eligibility for the program. Further details are provided in [the May 13, 2025 Board Memo](#).

If an applicant starts work after application submission but prior to approval, they do so at their own risk. In that case, the applicant will need to comply with all requirements of the program, including affirmative action, prevailing wage, [public works contractor registration](#), and green building requirements. Failure to comply may result in the entire project being ineligible. See the [Program Rules](#) for details.

**How much time does the applicant have to complete the cultural arts project?** The construction project must be completed and obtain a Temporary Certificate of Occupancy (TCO) (or equivalent) within four years of signing the tax credit agreement. Once construction is complete, the facility must operate for an additional five years.

**What is the eligibility period?** From the CAFE Program Rules, “eligibility period” means the period of 5 years during which a cultural arts institution may claim, sell, transfer, or otherwise use a tax credit under the Program, beginning with the tax period in which the Authority accepts certification of the cultural arts institution that it has met the capital investment requirements of the Program.

The eligibility period spans the five years following the completion of the capital investment construction project. During this time, tax credits will be awarded annually, provided the project continues to comply with the terms of the incentive award agreement, rules and statute.

**Will the applicant need to update the CEO certification form if the CEO changes?** YES, the applicant will be responsible for notifying the NJEDA and updating the CEO certification form if the CEO changes during the application process. The CEO may refer to the owner, CEO, or equivalent, who is the highest-ranking executive for the applicant. For a nonprofit entity, this may be the executive director.

**What if there are changes or modifications midway through the project?** Once a project has been approved by NJEDA's Board, changes in the work as approved by the Board (and subsequently detailed within the approval letter and incentive award agreement) require prior review and written approval by the Authority. Changes in the work may include, but not limited to, changes in the layout or proposed uses of the property, a reduction in the amount of the total project cost, eligible project costs, or any change in the financing. A cultural arts institution 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 Authority will review to determine the request is to approve a modified project or a new project; additionally, the revised project must continue to meet the requirements of the CAFE program statute and rules. Regardless of whether an approved modification request results 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.

**How does the CAFE program define “arts and culture”?** While the Authority has not yet adopted an interpretation of this term, “arts and culture” generally means creative and cultural activities. The Authority may consider an interpretation that includes, but is not limited to, performing, visual, and fine arts, music, dance, graphic design, film, digital media and video, architecture and urban design, humanities, literature, arts and culture education, historic preservation, museum curation, crafts, and folk arts, as well as providing enrichment through the public presentation of science in creative, accessible formats (such as interactive exhibits) that engage the community on a cultural level.

**What is the role of NJEDA in this program?** NJEDA administers the CAFE program. If selected, the applicant and co-applicant (if applicable) will enter into a tax credit agreement with the NJEDA which sets forth the terms and conditions for receiving the incentive award.

**How much funding does the CAFE program provide overall, and what happens if the program is oversubscribed, meaning the award cap has been exceeded for the year?** The CAFE program offers a total of \$1.2 billion in incentives, available until March 1, 2029. As long as funding is available and absent a statutory amendment that changes the application process, application rounds will take place at least once a year, and potentially more often. Importantly, there is no annual award cap for this program.

**Is the CAFE program federally funded?** NO, the CAFE program is a New Jersey initiative, funded through state tax credits allocated by the State Legislature.

**Will having any involvement with a cannabis license affect my eligibility for participating the CAFE Program?** New Jersey State law prohibits cannabis licensees, conditional licensees, and certified personal use cannabis handlers' employers as well as property owners, developers, and operators of a project where the property being used or intended for use with cannabis from receiving or continuing to receive most financial incentive awards. The law allows these individuals/entities to receive only very particular incentives created specifically for the cannabis market. See N.J.S.A. 24:6I-49.

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